CITY OF McKINNEY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015

CELEBRATING TEN YEARS OF
UNIQUE BY NATURE℠

McKINNEY IS UNIQUE BY NATURE

- In 2015, the city brand celebrated a decade of successfully telling the McKinney story. When *McKinney, Texas: Unique by nature* was born, it captured why so many people love living in our community, doing business here and visiting the city. It speaks to the city's natural assets and uniqueness.

- During the past decade, the brand has been embraced by the entire community as the identifier for our city. It is more than a logo and a tagline. It is a commitment that embodies the community's willingness to work together to make McKinney a great place to be.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2015

AS PREPARED BY

FINANCIAL SERVICES

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CITY OF MCKINNEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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INTRODUCTORY SECTION

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February 2, 2016

Honorable Mayor and City Council,
City Manager,
Citizens of McKinney:

The Comprehensive Annual Financial Report (CAFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2015, is hereby submitted in accordance with Section 46 of the City Charter.

This report is published to provide the City council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

BKD, LLP, a firm of licensed certified public accountants, has issued unmodified ("clean") opinions on the City of McKinney financial statements for the year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF MCKINNEY PROFILE

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 64.69 square miles and serves a population of approximately 156,000. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council.

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a nonpartisan basis. Both the mayor and council members serve four-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

The City of McKinney provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, airport, refuse collection and disposal, golf, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development, public improvements, and general administrative services.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable, but they are not part of the primary government's operations. The McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), and McKinney Main Street (MMS) are included in the financial statements as discretely presented component units.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The US Census currently estimates McKinney's population at 156,000. Compared to 131,000 in the 2010 census and 54,000 in the 2000 census, this is an increase of 19% and 189%, respectively. In September 2014, Money Magazine ranked McKinney as the #1 Best Place to Live in America. McKinney has been featured in the top 5 of each report since 2010, and we also boast as the only city in Texas to make the top 10 list of 2014. Money editors look at data about employment, schools, crime and safety, and also evaluate each city's overall quality of life to determine the rankings.

This ranking is due in large part to the quality growth occurring in McKinney and Collin County at large. In the previous year, Collin County has seen corporate relocations of the Toyota Motor Company's Corporate Headquarters as well as the State Farm Insurance Company's Regional Offices in neighboring cities. This growth in Collin County creates a positive economic overflow for McKinney through increased residential demand resulting in higher assessed values on property. In perspective, McKinney's assessed taxable values have increased 25.6% since fiscal year 2010.

In an effort to spur our economic growth in McKinney, the City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes: Raytheon, Encore Wire, Emerson Process Management, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Ins., Watson & Chalin, Traxxas, Barclay's Bank, UPS, and Hisun Motors.

Notable corporate expansions and community improvements for 2015 include: Raytheon Corporations Space Airborne Systems Relocation adding 170 jobs, expansion of the Wistron Green Tech facility adding 80 jobs, the opening of the PSA sports complex, and construction beginning on the McKinney Aquatic and Fitness Center.

To support and foster the growth of McKinney's business community, The City of McKinney purchased the fixed base operations at McKinney National Airport in 2014. In the first two years of City operation, McKinney Air Center has been voted one of the top 10 Fixed Base Operators (FBO) in the nation by FltPlan.com and the Pete and Nancy Huff Air Traffic Control ranked as the #1 tower by Pilots' Choice Awards for both years. During 2015, the McKinney National Airport and McKinney Air Center have proven to be valuable assets in McKinney with all hangars, including corporate hangars, fully leased and occupied. This success has led to the construction of a new 15,000 square foot hangar to be completed in fiscal year 2016.

McKinney's small business community is equally as important to the vitality of McKinney's economy. McKinney enjoys one of the oldest authentic historic downtowns in Texas. Our 167-year old city center continues to serve as a thriving retail, dining, entertainment and business destination. The town square offers over 120 unique businesses within the commercial historic district, including a charming hotel and quaint bed and breakfast destinations nestled between eateries, specialty shops, apparel boutiques, art galleries and entertainment options.

McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

LONG-TERM FINANCIAL PLANNING

In February 2015, City Council formally adopted its first ten-year financial plans for the General Obligation Debt Service Fund and the General Fund. These longer range planning documents help capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability. In both plans, the City conscientiously planned to maintain a level property tax rate across ten years.

A ten-year plan for Water/Wastewater Fund is currently being developed and is due to be completed in the coming year.

GENERAL OBLIGATION DEBT SERVICE LONG-TERM FINANCIAL PLAN
This ten-year plan was developed and adopted to pair the City's long-term debt capacity with the City's capital project financing needs. This plan was used to establish the City's 2015 bond referendum to get voter authorization towards projects planned over the next ten years.

Revenues for the plan, which come from property taxes, are projected at conservative levels and are compared to future estimates of debt service payments. The primary variables are the rate of increase in property tax, debt issuances and new capital improvement projects planned during the projection period. It is the City's policy that the percentage of tax rate allocated to debt services will not be more than 35%.

GENERAL FUND LONG-TERM FINANCIAL PLAN
This plan accounts for the future operating needs of the General Fund. It takes into consideration increased operational demands as result of McKinney's expected population growth, as well as the operational impact of the capital projects outlined in the General Obligation Debt Service Long-Term plan.

Revenues for the General Fund plan are projected at conservative levels and are compared to expenditure increase estimates. The primary variables are the rate of increase in revenues and new projects or programs planned during the projection period. The City's General Fund revenue primarily comes from property taxes, sales tax and franchise fees. The remainder comes from licenses/permits, charges for service, fines and interest income.

FIVE-YEAR CAPITAL IMPROVEMENT PLAN
During the annual budget process, the City of McKinney publishes a capital improvement plan, which outlines the first five years of projects contained within the General Obligation Debt Service Long-Term financial plan. The City annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy and the General Obligation Debt Service ten-year financial plan.

The five-year capital improvement plan outlines various facilities, including completion of the Aquatic Center, beginning work on Fire Station 9 at Lake Forest and Wilmeth, Public Safety Building Improvements; various major road initiatives including Bloomdale Road, Airport Road Extension and FM546; and various water improvements to include service line replacements in many neighborhoods.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year-end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year. A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

MAJOR INITIATIVES

FINANCIAL TRANSPARENCY

The City of McKinney is committed to transparent government. Transparency promotes accountability and provides information for citizens so taxpayers can see exactly where their money is going. In order to achieve this goal, the City launched the OpenGov Interactive Financial Reporting Tool in April 2015. Dashboard reports include budget versus actual revenues and expenditures, sales tax revenue by industry, detailed Accounts Payable and Payroll check registers, and the City's current outstanding debt.

CAPITAL PROJECT INITIATIVES

For Fiscal Year 2014-15, major project initiatives for the City of McKinney included completion of the Gateway Hotel and Event Center, design and initial construction for the Gabe Nesbitt Aquatic Center, Sonntag Neighborhood Park, Airport Parking Ramp Reconstruction, NRCS Lake 2A Dam Improvements as well as various water and street improvements.

For Fiscal Year 2015-16, major project initiatives for the City of McKinney will include completion of the Aquatic Center, beginning work on Fire Station 9 at Lake Forest and Wilmeth, Public Safety Building Improvements, various major road initiatives including Bloomdale, Airport Extension and FM546. Various water improvements include service line replacements in many neighborhoods. Finally, the U.S. 75 expansion project is expected to be complete by spring 2016, reopening the major arterial highway through McKinney.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2014. This was the thirty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current CAFR will be submitted to the GFOA where we expect it to meet the Certificate of Achievement eligibility requirements.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2014. This is the thirty-first consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

In addition, McKinney earned the 2015 Texas Comptroller Leadership Circle Platinum Member Award for the second consecutive year. This award recognizes local governments across Texas that are striving to meet a high standard for financial transparency online.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,

Rodney D. Rhoades
Chief Financial Officer

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Government Finance Officers Association

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City of McKinney

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

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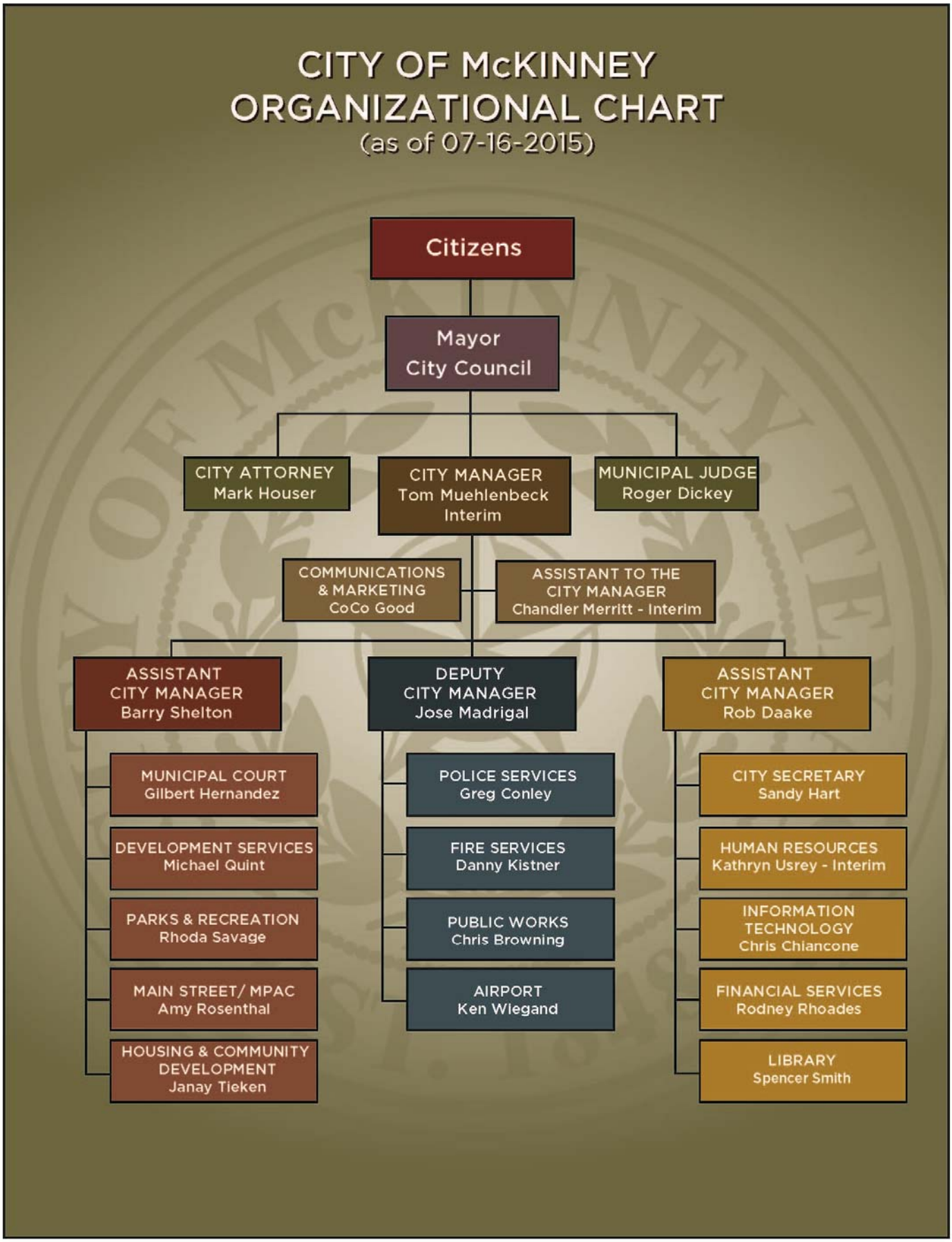
CITY OF McKINNEY ORGANIZATIONAL CHART

(as of 07-16-2015)



CITY OF McKINNEY, TEXAS
CITY OFFICIALS

CITY COUNCIL

Brian Loughmiller, Mayor
Travis Ussery, Mayor Pro-Tem
Don Day
Rainey Rogers
Tracy Rath
Randy Pogue
Chuck Branch

INTERIM CITY MANAGER

Tom Muehlenbeck

DEPUTY CITY MANAGER

Jose Madrigal

ASSISTANT CITY MANAGERS

Rob Daake
Barry Shelton

CHIEF FINANCIAL OFFICER

Rodney Rhoades

FINANCIAL SECTION

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BKD LLP
CPAs & Advisors

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Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the City changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and budgetary comparison schedules listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory and statistical sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 2, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2015. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2015, by $846 million (Net Position). Of this amount, $610 million (72%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total $113 million (13%). The remaining $123 million (15%) are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of McKinney's net position increased by $21 million. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by $21 million.

- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $187 million, an increase of $59 million in comparison to the prior year. Approximately $47 million, or 25%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).

- Within the combined fund balances, $1.2 million is nonspendable for inventory and prepaid items. $2.9 million is restricted for debt service, $130 million is for street construction and other capital projects, and fund balance of $4 million in the special revenue funds contains grant and other spending restrictions. $2.4 million has been assigned for Other Postemployment Benefits (OPEB) and the remaining $47 million is unassigned fund balance in the general fund and can be used for any lawful purpose. The unassigned general fund balance is equal to 44% of total general fund expenditures. This represents 19% more than the fund balance policy requirement.

- On a government-wide basis, the City's total liabilities increased by $70 million or 21% during the current fiscal year. Major contributable factors include debt issuances and refundings netting a $36 million increase to bonds payable, the issuance of a capital lease in the amount of $1.4 million, and the implementation of GASB 68 to account for the City's current net pension liability of $30 million.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of McKinney's basic financial statements. The City of McKinney's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of McKinney's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of McKinney is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks, and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.

- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.

- **Component Units** – The City includes four separate legal entities in its report – McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau, and McKinney Main Street. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 15-19 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McKinney can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McKinney maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and street construction fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, street construction fund, nonmajor special revenue funds, and nonmajor capital projects funds. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-23.

- **Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City of McKinney maintains five individual enterprise funds to account for its water and wastewater, airport, solid waste, golf course, and surface water drainage. The water and wastewater fund and airport fund are considered major funds, while the solid waste fund, golf course fund and surface water drainage fund are considered as nonmajor funds of the City. Individual fund data for each of these funds is provided in the form of combining statements in this report.

  The basic proprietary fund financial statements can be found on pages 25-28.

- **Internal Service Fund.** The City of McKinney uses the internal service fund as an accounting device to accumulate and allocate costs internally among the City's various functions.

  The City maintains one internal service fund to account for the claims of the City's self-funded insurance program and risk management program.

- **Fiduciary Responsibilities.** The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

  The basic fiduciary fund financial statements can be found on page 29.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-77.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 78-80.

The combining statements referred to earlier in connection with the nonmajor governmental funds, nonmajor enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 81-127 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $846 million as of September 30, 2015.

By far the largest portion of the City's net position, $610 million or 72% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position, $113 million or 13%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $123 million or 15% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
ASSETS						
Current and other assets	$ 223,306	$ 164,631	$ 106,316	$ 102,312	$ 329,622	$ 266,943
Capital assets	499,819	488,905	406,785	395,867	906,604	884,772
Total Assets	723,125	653,536	513,101	498,179	1,236,226	1,151,715
DEFERRED OUTFLOWS OF RESOURCES	8,319	907	7,366	6,828	15,685	7,735
LIABILITIES						
Other liabilities	24,335	41,288	6,564	10,630	30,899	51,918
Long-term liabilities outstanding	302,116	220,328	70,880	61,506	372,996	281,834
Total Liabilities	326,451	261,616	77,444	72,136	403,895	333,752
DEFERRED INFLOWS OF RESOURCES	1,367	-	177	-	1,544	-
NET POSITION						
Net investment in capital assets	268,919	252,289	340,776	330,538	609,695	582,827
Restricted	100,239	85,126	13,244	13,166	113,483	98,292
Unrestricted	34,469	55,412	88,826	89,167	123,295	144,579
Total Net Position	$ 403,627	$ 392,827	$ 442,846	$ 432,871	$ 846,473	$ 825,698

The City of McKinney's net position increased by $21 million during the current fiscal year. This was driven by an increase in governmental net position of $11 million, and an increase in business-type activities net position of $10 million. The implementation of GASB 68 - *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* restated the beginning net position by $24 million. Details are listed in the table below and discussed on pages 9-10.

Changes in Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
REVENUES						
Program revenues:						
Charges for services	$ 19,197	$ 15,286	$ 75,045	$ 68,947	$ 94,242	$ 84,233
Operating grants and contributions	2,051	2,446	67	95	2,118	2,541
Capital grants and contributions	38,427	28,828	18,126	96,784	56,553	125,612
General revenues:						
Property taxes	79,819	70,587	-	-	79,819	70,587
Sales taxes	23,042	21,299	-	-	23,042	21,299
Franchise taxes	13,858	13,630	-	-	13,858	13,630
Other taxes and fees	434	-	-	-	434	-
Investment income	371	298	663	565	1,034	863
Other revenues	2,834	4,283	(92)	-	2,742	4,283
Total revenues	180,033	156,657	93,809	166,391	273,842	323,048
EXPENSES						
General government	25,065	33,368	-	-	25,065	33,368
Police	25,624	26,025	-	-	25,624	26,025
Fire	23,727	22,807	-	-	23,727	22,807
Libraries	3,694	3,320	-	-	3,694	3,320
Development	13,418	10,057	-	-	13,418	10,057
Parks and recreation	9,377	10,415	-	-	9,377	10,415
Public works	39,812	37,605	-	-	39,812	37,605
Interest on long-term debt	8,019	8,482	-	-	8,019	8,482
Airport	-	-	8,860	8,601	8,860	8,601
Water/Wastewater	-	-	60,487	55,008	60,487	55,008
Solid Waste	-	-	6,861	6,280	6,861	6,280
Golf Course	-	-	199	194	199	194
Surface Water Drainage	-	-	1,911	1,934	1,911	1,934
Loss (gain) on sale of assets	1,993	-	-	852	1,993	852
Total expenses	150,729	152,079	78,318	72,869	229,047	224,948
Increase (decrease) in net position before transfers	29,304	4,578	15,491	93,522	44,795	98,100
Transfers	2,965	(15,105)	(2,965)	15,105	-	-
Increase (decrease) in net position	32,269	(10,527)	12,526	108,627	44,795	98,100
Net Position- Beginning, as restated	371,359	403,354	430,319	324,244	801,678	727,598
Net Position- Ending	$ 403,628	$ 392,827	$ 442,845	$ 432,871	$ 846,473	$ 825,698

Governmental Activities

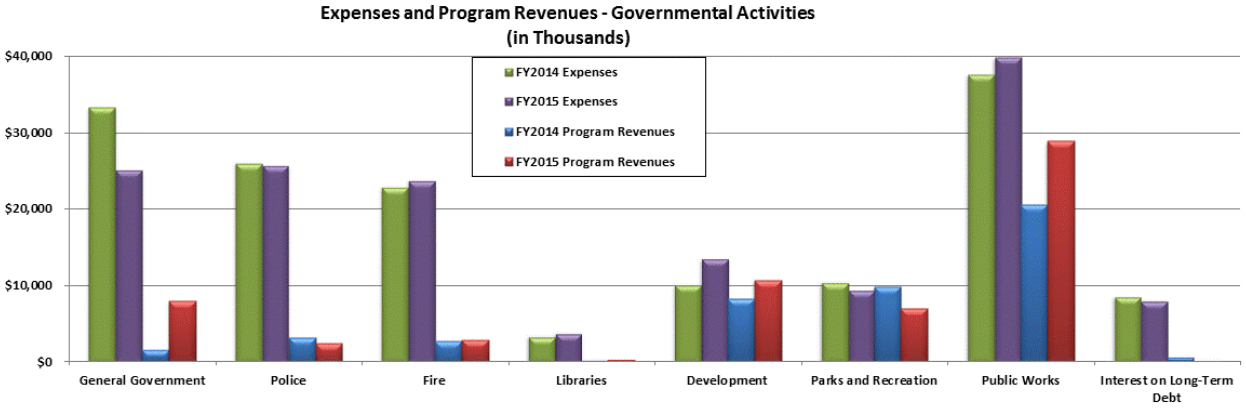
Governmental activities increased the City's net position by $11 million during the current fiscal year. The key elements of this increase are as follows:

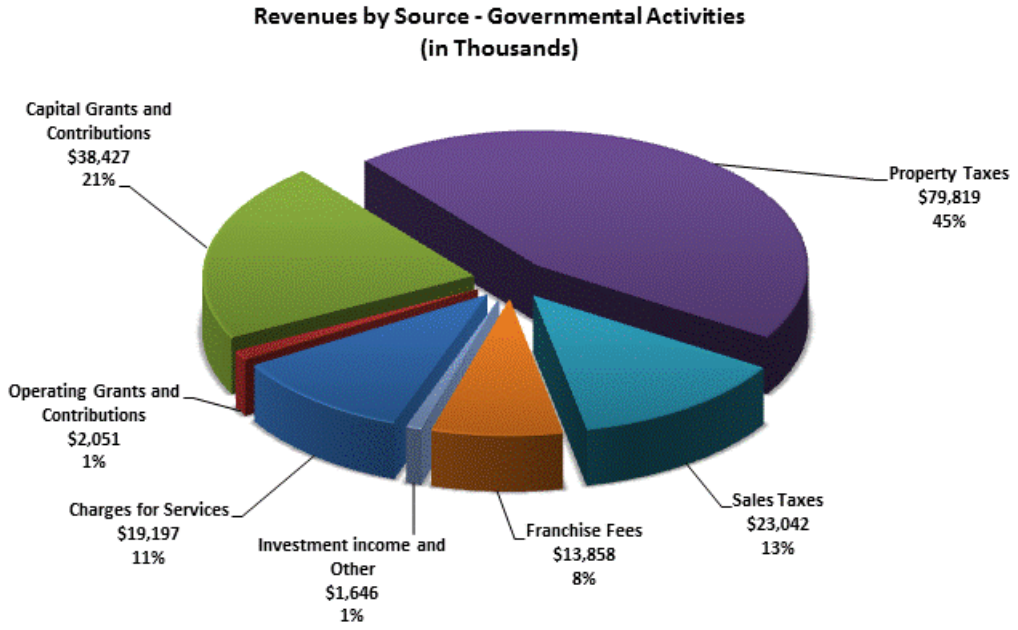
Revenues

- Property taxes increased by $9.2 million as a result of a 13.1% increase in certified taxable value.
- Sales taxes increased by $1.7 million, or 8.2% as a result of population growth in the area.
- Charges for services increased by $3.9 million as a result of increased development generating higher revenues for engineering inspections, building permits, and various licenses.
- Contributions are reported with a $9.6 million increase as a result of increased developer contributions to capital project funds

Expenses

- The City's general government expenses decreased by $8.1. This was mainly due to an unexpected legal judgment of $9 million recorded in fiscal year 2014, inflating the prior year general government expenditures. This legal judgment is currently on appeal.
- The budgeted addition of 27 positions and 3% salary increases are reflected in expenses.
- Claims relating to the City's health benefits increased by 10% compared to the prior year, resulting in an additional expenditure of $1 million.




Revenues by Source - Governmental Activities
(in Thousands)
Capital Grants and Contributions $38,427 21%
Property Taxes $79,819 45%
Operating Grants and Contributions $2,051 1%
Charges for Services $19,197 11%
Investment income and Other $1,646 1%
Franchise Fees $13,858 8%
Sales Taxes $23,042 13%

Business-type Activities

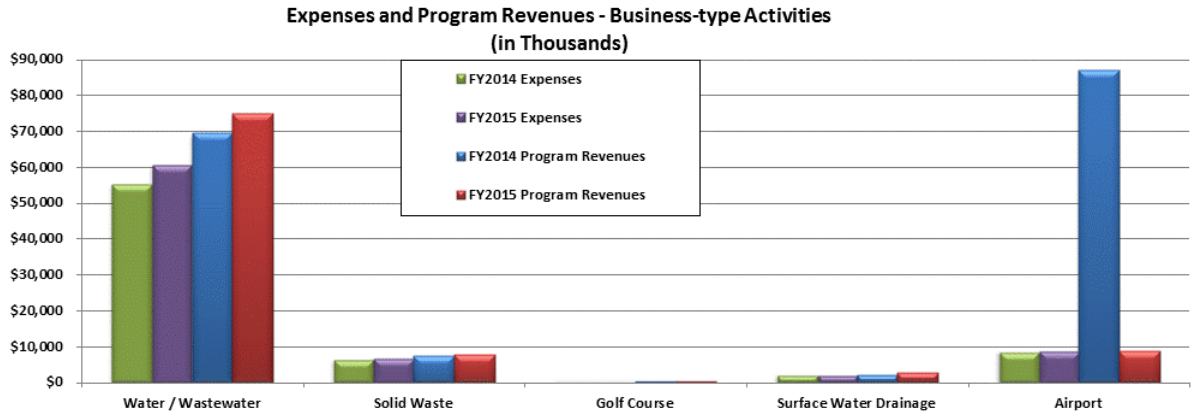
Business-type activities increased the City of McKinney's net position by $10 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

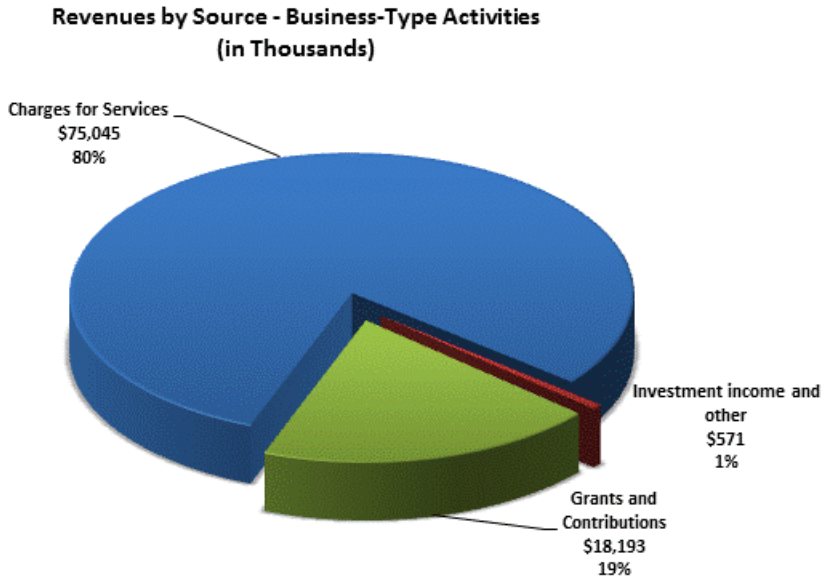
Revenues

- The Water/Wastewater Fund's operating revenues increased by $4 million or 7% due to easing of City water restrictions and low rainfall in summer months.
- The Water/Wastewater Fund received capital contributions of $16 million relating to increased development in the City.
- The Airport Fund's operating revenues increased by $1.1 million or 25% due to increases to fuel sales, hangar lease fees, and a continued intergovernmental transfer from the General Fund.
- The Airport Fund received contributions of $3 million for capital construction in the current fiscal year. In FY2014 contributions of $82 million, reflected in the chart below, resulted from the dissolution of the Collin County Airport Development Corporation component unit into the City business-type activity.

Expenses

- Expenses in the Water/Wastewater Fund increased $5.5 million mainly due to a $2.2 million increase in maintenance costs for water lines, and a $2.5 million increase in water purchase and sewer service charges from North Texas Municipal Water District.





Financial Analysis of the City's Funds

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of $187 million, an increase of $59 million or 47% in comparison to the prior year. Approximately $46 million or 25% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, restricted, committed, or assigned in conformance with GASB 54 requirements. Please see pages 18-19 for financial details and page 42 for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was $46 million, while total fund balance was $49 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 44% of total general fund expenditures.

The general fund balance increased by $7.6 million or 18% during the current fiscal year. This increase was primarily driven by rapid residential growth and increased property assessed valuations resulting in property and sales tax revenues and development revenues exceeding budgeted expectations.

Debt Service Fund. The debt service fund had a total fund balance of $3.8 million. There was a net increase of $0.9 million in fund balance during the current year. The increase was a result of higher than expected property assessed valuations.

Street Construction Fund. The Street Construction Fund is the largest governmental capital project fund. It has an ending fund balance of $65 million. Total expenditures for the current year were $7.4 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include: Downtown Infrastructure Phase 2, Redbud Blvd (Wilmeth – Bloomdale), and Virginia Pkwy Lanes 5 & 6.

Proprietary Funds

The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2015, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by $11.7 million resulting primarily from capital contributions. Operating revenues totaled $58.8 million, an increase of $3.9 million, or 7% over the prior year. The reduction of water restrictions by North Texas Municipal Water District (NTMWD) resulted in higher customer consumption billed by the City. Operating expenses in the Water and Wastewater Fund were $58 million, an increase of $5.8 million or 11% over the prior year. Primary factors were increased NTMWD water purchase rates and budgeted increases for the water line replacements.

Airport Fund. The City's Airport Fund ended the year with a net position of $96.9 million, which was a decrease of $0.3 million compared to the previous year. Operating revenues increased by $1.2 million for the year due to higher fuel sales, totaling $5.8 million. Operating expenses were $8.8 million which were slightly higher than the previous year as a result of increased materials and supplies.

Solid Waste Fund. The City's Solid Waste Fund net position increased by $0.5 million. Operating revenues totaled $7.6 million, which was consistent with revenues collected in the previous year. Expenses were slightly higher in comparison to last year at $6.9 million due to increases in payments for landfill fees to the North Texas Municipal Water District.

Golf Course Fund. The Golf Course Fund had an operating loss of about $0.1 million. Revenues were approximately $0.08 million which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling $0.17 million. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund operated with charges for services revenues exceeding expenses by $0.8 million. Charges for services increased from $2.0 million to $2.7 million as a result of rate increases in the City's surface water drainage fee structure.

General Fund Budgetary Highlights

The actual FY2014-15 expenditures were $105.2 million, $3.5 million less than the projected $108.7 million. This is attributed to a strict adherence to spending policies and closer monitoring of end-of-year budget projections.

Actual revenues were $110.4 million, or $2 million more than the $108.4 million budget plan. Improved revenues are mainly a result of development related revenues such as engineering inspections, various licenses, and building permits exceeding budget expectations.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $907 million invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, and police and fire equipment. This amount represents a net increase (including additions and deductions) of $22 million over the prior fiscal year.

Capital assets, net of accumulated depreciation in thousands, for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land	$ 28,837	$ 27,942	$ 29,652	$ 29,652	$ 58,489	$ 57,594
Buildings	97,822	75,271	28,862	30,139	126,684	105,410
Infrastructure	333,531	317,710	326,214	321,419	659,745	639,129
Machinery and equipment	20,595	18,535	4,234	4,429	24,829	22,964
Service animals	11	41	-	-	11	41
Construction in progress	19,022	49,405	17,822	10,229	36,844	59,634
Total	$ 499,818	$ 488,904	$ 406,784	$ 395,868	$ 906,602	$ 884,772

Major capital improvement projects completed or in progress during the current fiscal year were:

Project	($ in Thousands)
Gateway Hotel and Event Center	25,357
10Mg Storage Tank University	5,635
Hardin Elevated Storage Tank	5,504
Aquatic Center - Gabe Nesbitt	4,764
Downtown Infrastructure Ph II	3,348
Airport Parking Ramp Reconstruction	3,052
Redbud Blvd. (Wilmeth - Bloomdale)	2,694
Dam Rehab: NRCS Lake 2A	2,648
University PS Generator Phase I	2,179
Gabe Nesbitt Community Park Phase VI	1,839
Sonntag Neighborhood Park	1,788
Virginia Pkwy Lanes 5&6	1,314
Stacy Rd Ln 5&6 (Ridge-121)	1,199
Traffic Signalization	1,038

Additional information about the City's capital assets is presented in *Note (3) D* to the financial statements at page 49-51.

Long-term Debt. At year end, the City had $329 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $291 million at the end of the prior fiscal year. This represents an increase of 13%. All outstanding debt is summarized below:

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 263,424	$ 225,586	$ -	$ -	$ 263,424	$ 225,586
Revenue bonds (backed by fee revenues)	-	-	66,009	65,442	66,009	65,442
Totals	$ 263,424	$ 225,586	$ 66,009	$ 65,442	$ 329,433	$ 291,028

In 2015, the City received renewal of its General Obligation and Revenue bond ratings. Standard and Poor's, one of the nation's largest bond rating agencies, maintained its AAA rating for General Obligation Bonds and affirmed the AA+ rating for Water & Wastewater Revenue Bonds. Moody's Investors Service affirmed its Aa1 rating for General Obligation Bonds and Aa2 for Water & Wastewater Revenue Bonds.

Additional information on the long-term debt can be found in *Note (3)G* to the financial statements starting at page 53.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for the business-type activities. The priority for fiscal year 2016 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2016 budget include:

- Balanced budget
- Property tax rate remaining flat
- Water and Wastewater rates increased 11% and 13% respectively
- Solid Waste Rates remained the same
- Increased and sustained funding for equipment and facilities improvements
- Total city budget $426.4 million including internal transfers

The property tax rate for fiscal year 2016 is $0.583 per $100 assessed value. The over-65 homestead exemptions for elderly and disabled persons remained at fifty thousand dollars.

For fiscal year 2016, the water and wastewater (sewer) rates increase 11% and 13% respectively. The monthly residential base water and sewer charge will each increase from $12.38 to $13.74. The water volume rate will increase from $3.41 to $3.79 per thousand gallons for the first 20,000 gallons. This rate increases to $4.73 if the monthly consumption exceeds 20,001 gallons but less than 40,000 gallons; consumption over 40,001 will be charged $5.68. The wastewater volume rate will increase from $3.41 to $3.79 per thousand gallons with a maximum volume of 8,000 gallons.

The Solid Waste Fund has a strong fund balance. The solid waste rate will remain the same for all customers. An average residential household solid waste rate is $15.36 per month. This includes refuse collection, disposal, and the single stream recycling program.

Requests For Information

The financial report is designed to provide a general overview of the City of McKinney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.

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BASIC FINANCIAL STATEMENTS

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CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 187,115,520	$ 29,562,861	$ 216,678,381	$ 80,530,431
Investments	18,308,680	11,632,207	29,940,887	3,001,707
Receivables (net of allowance for uncollectables)	11,584,302	13,343,059	24,927,361	5,657,643
Internal balances	241,444	(241,444)	-	-
Due from other governments	1,960,370	-	1,960,370	-
Note receivable	-	829,371	829,371	-
Note receivable from component unit	-	3,215,841	3,215,841	-
Inventories	331,605	411,305	742,910	-
Prepaid items	901,525	356,921	1,258,446	56,677
Restricted:				
Cash and cash equivalents	2,862,776	34,148,951	37,011,727	1,592,827
Investments	-	13,057,051	13,057,051	-
Capital Assets:				
Nondepreciable	47,859,213	47,474,198	95,333,411	22,295,450
Depreciable (net)	451,959,691	359,310,491	811,270,182	2,319,889
Total assets	723,125,126	513,100,812	1,236,225,938	115,454,624
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge for refunding	773,920	69,372	843,292	-
Excess consideration provided for acquisition	-	6,321,851	6,321,851	-
Deferred pension contributions	6,131,870	791,909	6,923,779	112,427
Deferred pension investment amounts	1,413,453	182,541	1,595,994	25,916
Total deferred outflows of resources	8,319,243	7,365,673	15,684,916	138,343
LIABILITIES				
Accounts payable	5,888,141	1,789,612	7,677,753	2,068,957
Other accrued liabilities	14,122,645	1,901,627	16,024,272	97,937
Unearned revenue	2,224,503	-	2,224,503	-
Accrued interest payable	1,388,268	-	1,388,268	47,925
Deposits	711,037	2,872,776	3,583,813	-
Noncurrent liabilities				
Due within one year				
Note payable to primary government	-	48,786	48,786	792,001
Compensated absences	823,652	71,684	895,336	10,120
Bonds payable	15,380,000	4,785,000	20,165,000	1,965,000
Capital lease	312,719	-	312,719	-
Due in more than one year				
Note payable to primary government	-	780,585	780,585	2,423,840
Compensated absences	8,328,047	724,807	9,052,854	102,320
OPEB liability	975,872	-	975,872	-
Bonds payable	248,044,127	61,224,020	309,268,147	35,025,000
Capital lease	1,419,530	-	1,419,530	-
Net pension liability	26,832,065	3,245,579	30,077,644	467,145
Total liabilities	326,450,606	77,444,476	403,895,082	43,000,245
DEFERRED INFLOWS OF RESOURCES				
Deferred pension experience gains	1,367,024	176,545	1,543,569	25,064
NET POSITION				
Net investment in capital assets	268,918,693	340,775,669	609,694,362	11,895,339
Restricted for:				
Use of impact fees	-	8,995,690	8,995,690	-
Highways and streets	28,691,743	-	28,691,743	-
Debt service	4,107,035	4,248,344	8,355,379	1,592,827
Other capital projects	65,017,451	-	65,017,451	-
Public safety	601,868	-	601,868	-
Community development	1,312,903	-	1,312,903	-
Library	224,501	-	224,501	-
Cultural and recreation	13,751	-	13,751	-
Grants	269,985	-	269,985	-
Unrestricted	34,468,809	88,825,761	123,294,570	59,079,492
Total net position	$ 403,626,739	$ 442,845,464	$ 846,472,203	$ 72,567,658

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 25,065,104	$ 3,842,116	$ 110,908	$ 3,949,909
Police	25,624,335	1,757,760	564,242	-
Fire	23,727,013	2,631,057	60,292	130,788
Libraries	3,693,705	108,738	110,867	-
Development	13,418,166	9,825,165	816,406	-
Parks and recreation	9,377,277	1,031,799	388,314	5,483,519
Public works	39,812,246	-	-	28,863,026
Interest on long-term debt	8,019,483	-	-	-
Total governmental activities	148,737,329	19,196,635	2,051,029	38,427,242
Business-type Activities				
Water/Wastewater	60,487,007	58,854,349	-	15,416,353
Solid Waste	6,860,903	7,598,827	-	-
Golf Course	198,663	88,890	-	-
Surface Water Drainage	1,911,038	2,701,864	-	5,230
Airport	8,859,527	5,801,175	67,332	2,704,163
Total business-type activities	78,317,138	75,045,105	67,332	18,125,746
Total primary government	$ 227,054,467	$ 94,241,740	$ 2,118,361	$ 56,552,988
Component Units				
McKinney Economic Development Corp	$ 3,408,236	$ 262,733	$ -	$ -
McKinney Community Development Corp	3,933,097	-	-	-
McKinney Convention & Visitors Bureau	554,536	-	355,000	-
McKinney Main Street Corp	1,006,176	1,008,679	-	-
Total component units	$ 8,902,045	$ 1,271,412	$ 355,000	$ -

General Revenues
Property taxes
Sales taxes
Franchise taxes
Other taxes and fees
Unrestricted investment earnings
Gain (loss) on sale of asset
Miscellaneous
Transfers

Total general revenues and transfers

Change in Net Position

Net Position, as previously reported

Cumulative effect adjustment

Net Position, Beginning of Year, as adjusted

Net Position, End of Year

The accompanying notes to the basic financial statements are an integral part of this statement.

Governmental Activities	Business-type Activities	Total	Component Units
$ (17,162,171)	$ -	$ (17,162,171)	$ -
(23,302,333)	-	(23,302,333)	-
(20,904,876)	-	(20,904,876)	-
(3,474,100)	-	(3,474,100)	-
(2,776,595)	-	(2,776,595)	-
(2,473,645)	-	(2,473,645)	-
(10,949,220)	-	(10,949,220)	-
(8,019,483)	-	(8,019,483)	-
(89,062,423)	-	(89,062,423)	-
-	13,783,695	13,783,695	-
-	737,924	737,924	-
-	(109,773)	(109,773)	-
-	796,056	796,056	-
-	(286,857)	(286,857)	-
-	14,921,045	14,921,045	-
$ (89,062,423)	$ 14,921,045	$ (74,141,378)	$ -
$ -	$ -	$ -	$ (3,145,503)
-	-	-	(3,933,097)
-	-	-	(199,536)
-	-	-	2,503
$ -	$ -	$ -	$ (7,275,633)
$ 79,819,213	$ -	$ 79,819,213	$ -
23,041,949	-	23,041,949	21,636,492
13,858,355	-	13,858,355	-
434,494	-	434,494	-
370,660	663,128	1,033,788	108,771
(1,993,170)	(92,106)	(2,085,276)	1,227,341
2,833,951	-	2,833,951	4,014
2,965,135	(2,965,135)	-	-
121,330,587	(2,394,113)	118,936,474	22,976,618
32,268,164	12,526,932	44,795,096	15,700,985
392,827,258	432,871,449	825,698,707	57,235,480
(21,468,683)	(2,552,917)	(24,021,600)	(368,807)
371,358,575	430,318,532	801,677,107	56,866,673
$ 403,626,739	$ 442,845,464	$ 846,472,203	$ 72,567,658

CITY OF MCKINNEY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Debt Service	Street Construction
ASSETS			
Cash and cash equivalents	$ 44,919,005	$ 3,784,446	$ 62,196,217
Investments	12,745,146	-	5,563,534
Receivables (net of allowance for uncollectibles):			
Delinquent property taxes	756,173	321,789	-
Accounts	2,751,062	-	24
Other taxes and fees	7,089,828	-	-
Accrued interest	38,062	-	2,142
Due from other funds	414,444	-	-
Due from other governments	81,737	-	992,527
Inventory	331,605	-	-
Prepaid items	852,860	800	-
Total assets	$ 69,979,922	$ 4,107,035	$ 68,754,444
LIABILITIES			
Accounts payable	$ 2,035,435	$ -	$ 1,305,239
Other accrued liabilities	13,379,628	-	411,542
Deposits	711,037	-	-
Due to other funds	-	-	-
Unearned revenue	74,210	-	2,150,293
Total liabilities	16,200,310	-	3,867,074
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,290,308	270,666	-
Total deferred inflows of resources	4,290,308	270,666	-
FUND BALANCES			
NONSPENDABLE:			
Inventory	331,605	-	-
Prepaid items	852,860	800	-
RESTRICTED:			
Debt service	-	3,835,569	-
Street construction	-	-	64,887,370
Other capital projects funds	-	-	-
Law enforcement	-	-	-
Fire	-	-	-
PEG	-	-	-
Library	-	-	-
Community housing	-	-	-
Veterans Memorial Park	-	-	-
Hotel/Motel	-	-	-
Grants	-	-	-
ASSIGNED:			
OPEB	2,485,326	-	-
UNASSIGNED	45,819,513	-	-
Total fund balances	49,489,304	3,836,369	64,887,370
Total liabilities, deferred inflows of resources and fund balances	$ 69,979,922	$ 4,107,035	$ 68,754,444

The accompanying notes to the basic financial statements are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 69,685,365	$ 180,585,033
-	18,308,680
-	1,077,962
64,731	2,815,817
420,950	7,510,778
-	40,204
-	414,444
886,106	1,960,370
-	331,605
47,864	901,524
$ 71,105,016	$ 213,946,417
$ 1,545,036	$ 4,885,710
331,475	14,122,645
-	711,037
173,000	173,000
-	2,224,503
2,049,511	22,116,895
-	4,560,974
-	4,560,974
-	331,605
47,864	901,524
-	3,835,569
-	64,887,370
65,017,451	65,017,451
558,905	558,905
42,963	42,963
1,493,395	1,493,395
224,501	224,501
73,787	73,787
13,751	13,751
1,312,903	1,312,903
269,985	269,985
-	2,485,326
-	45,819,513
69,055,505	187,268,548
$ 71,105,016	$ 213,946,417

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CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position is different because:

Total fund balance - governmental funds	$ 187,268,548
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.	499,818,904
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(9,151,699)
Bonds payable and contractual obligation have not been included in the fund financial statements.	(251,218,329)
Internal service funds are used by management to charge the costs of certain activities, including self-insurance, to appropriate function in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	8,502,106
Net pension liabilities are not reported in the funds.	(26,795,668)
Deferred outflows related to pension contributions and investment losses are not reported in the funds.	7,535,395
Deferred inflows related to differences in pension experience are not reported in the funds.	(1,365,224)
OPEB liability has not been included in the governmental fund financial statements.	(975,872)
Premiums on issuance of debt are recognized as other financing sources in the governmental fund financial statements, but are recognized over the life of the bonds at the government-wide level.	(13,164,128)
Revenue reported as unavailable revenue in the government fund financial statements was recorded as revenue in the government-wide financial statement.	4,560,974
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(1,388,268)
NET POSITION OF GOVERMENTAL ACTIVITIES	$ 403,626,739

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	Debt Service	Street Construction
REVENUES			
Property taxes	$ 57,078,521	$ 22,824,488	$ -
Sales and use taxes	20,417,987	-	-
Franchise fees	13,767,129	-	-
Other taxes and fees	-	-	-
Licenses and permits	10,537,838	-	-
Intergovernmental	638,748	-	1,719,700
Charges for services	4,599,242	588,000	-
Fines and forfeitures	1,920,380	-	-
Investment income	211,383	16,185	86,659
Contributions	816,790	-	3,982,977
Miscellaneous	449,307	-	-
Total revenues	110,437,325	23,428,673	5,789,336
EXPENDITURES			
Current:			
General government	20,766,405	-	-
Police	25,479,649	-	-
Fire	22,835,565	-	-
Libraries	3,231,741	-	-
Development	8,876,417	-	-
Parks and recreation	8,064,453	-	-
Public works	11,906,819	-	1,950,838
Debt Service:			
Principal retirement	-	13,485,000	-
Interest and fiscal charges	-	9,024,315	-
Capital expenditures:			
General government	425,097	-	-
Police	557,691	-	-
Fire	1,391,226	-	-
Libraries	6,000	-	-
Development	105,439	-	-
Parks and recreation	534,250	-	-
Public works	1,063,381	-	5,496,266
Total expenditures	105,244,133	22,509,315	7,447,104
Excess (deficiency) of revenues over (under) expenditures	5,193,192	919,358	(1,657,768)
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	-	31,383,461
Premium on issuance of debt	-	-	4,812,166
Issuance cost of long-term debt	-	-	(281,694)
Proceeds from sale of property	28,488	-	-
Transfers in	4,341,035	-	-
Transfers out	(1,912,278)	-	-
Total other financing sources (uses)	2,457,245	-	35,913,933
Net change in fund balances	7,650,437	919,358	34,256,165
Fund balances, beginning of year	41,838,867	2,917,011	30,631,205
Fund balances, end of year	$ 49,489,304	$ 3,836,369	$ 64,887,370

The accompanying notes to the basic financial statements are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 52,664	$ 79,955,673
2,623,962	23,041,949
-	13,767,129
434,494	434,494
-	10,537,838
3,076,359	5,434,807
1,534,510	6,721,752
108,736	2,029,116
56,433	370,660
9,430,225	14,229,992
83,885	533,192
17,401,268	157,056,602
1,462,000	22,228,405
66,124	25,545,773
13,281	22,848,846
47,261	3,279,002
1,415,022	10,291,439
7,565	8,072,018
-	13,857,657
-	13,485,000
-	9,024,315
884,643	1,309,740
393,830	951,521
135,288	1,526,514
24,242	30,242
6,941,348	7,046,787
4,075,183	4,609,433
2,838,464	9,398,111
18,304,251	153,504,803
(902,983)	3,551,799
14,331,539	45,715,000
2,197,518	7,009,684
(128,711)	(410,405)
-	28,488
1,298,765	5,639,800
(150,000)	(2,062,278)
17,549,111	55,920,289
16,646,128	59,472,088
52,409,377	127,796,460
$ 69,055,505	$ 187,268,548

CITY OF MCKINNEY, TEXAS
RECONCILIATON OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds	$ 59,472,088
Current year capital outlay are expenditures in the fund financial statements, but increase capital assets in the government-wide financial statements.	24,259,961
Capital contributions are not recorded in the fund financial statements, but are reported as revenue in the government-wide financial statements.	20,805,559
Depreciation is not recognized as an expense in the governmental funds, but is reported as an expense in the government-wide financial statements.	(34,668,089)
Current year issuances of long-term contractual obligations, bonds payable and capital leases are other financing sources in the fund financial statements but are shown as additions to long-term debt in the government-wide financial statements.	(45,715,000)
Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	14,291,215
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, an interest expense is reported when due.	1,004,832
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources, therefore, they are not reported as expenditures in governmental funds.	(958,347)
Current year changes in the long-term liability for Other Postemployment Benefits do not require the use of current financial resources, therefore, they are not reported as expenditures in governmental funds.	(177,925)
Premiums are recognized in the fund financial statements as other financing sources, but they are amortized over the term of the bonds in the government-wide financial statements.	(7,009,684)
Internal service funds are used by management to share the costs of certain activities including self-insurance, to individual funds.	2,300,759
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(129,392)
Amortization of deferred refunding amounts is not recognized in the governmental funds.	
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the SOA.	813,845
In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(2,021,658)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 32,268,164

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Property taxes	$ 56,079,359	$ 57,344,359	$ 57,078,521	$ (265,838)
Sales and use taxes	19,800,000	20,350,000	20,417,987	67,987
Franchise fees	13,686,149	13,969,000	13,767,129	(201,871)
Licenses and permits	7,584,500	8,910,800	10,537,838	1,627,038
Intergovernmental	670,000	709,100	638,748	(70,352)
Charges for services	4,890,500	4,683,165	4,599,242	(83,923)
Fines and forfeitures	2,013,700	1,917,200	1,920,380	3,180
Investment income	247,195	166,443	211,383	44,940
Contributions	54,400	43,700	816,790	773,090
Miscellaneous	303,000	303,700	449,307	145,607
Total revenues	105,328,803	108,397,467	110,437,325	2,039,858
EXPENDITURES				
General government	21,074,087	21,547,026	21,191,502	355,524
Police	27,183,928	26,610,836	26,037,340	573,496
Fire	24,440,583	24,460,152	24,226,791	233,361
Libraries	3,363,685	3,442,461	3,237,741	204,720
Development	9,682,478	10,256,944	8,981,856	1,275,088
Parks and recreation	8,844,409	8,985,781	8,598,703	387,078
Public works	13,538,548	13,486,300	12,970,200	516,100
Total expenditures	108,127,718	108,789,500	105,244,133	3,545,367
Excess (deficiency) of revenues over (under) expenditures	(2,798,915)	(392,033)	5,193,192	5,585,225
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	50,000	25,000	28,488	3,488
Transfers in	6,405,535	5,135,535	4,341,035	(794,500)
Transfers out	(1,794,169)	(3,526,051)	(1,912,278)	1,613,773
Total other financing sources (uses)	4,661,366	1,634,484	2,457,245	822,761
Net change in fund balance	1,862,451	1,242,451	7,650,437	6,407,986
Fund balance, beginning of year	41,838,867	41,838,867	41,838,867	-
Fund balance, end of year	$ 43,701,318	$ 43,081,318	$ 49,489,304	$ 6,407,986

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	$ 17,095,669	$ 2,512,138	$ 9,955,054	$ 29,562,861	$ 9,393,264
Investments	9,691,340	-	1,940,867	11,632,207	-
Restricted assets:					
Cash and cash equivalents	31,961,895	2,177,056	10,000	34,148,951	-
Receivables (net of allowance for uncollectibles)	11,246,094	14,744	2,014,999	13,275,837	-
Accrued interest receivable	24,630	-	5,169	29,799	139,541
Due from other funds	12,407	-	-	12,407	-
Notes receivable - interfund	-	-	829,371	829,371	-
Notes receivable - component unit	-	-	3,215,841	3,215,841	-
Inventory	339,731	71,574	-	411,305	-
Prepaid items	1,421	355,500	-	356,921	-
Total current assets	70,373,187	5,131,012	17,971,301	93,475,500	9,532,805
Noncurrent assets:					
Restricted assets:					
Investments	13,057,051	-	-	13,057,051	-
Accrued interest receivable	37,423	-	-	37,423	-
Total restricted assets	13,094,474	-	-	13,094,474	-
Capital assets:					
Land	9,894,550	19,190,707	566,509	29,651,766	-
Buildings	11,981,745	23,219,042	1,663,564	36,864,351	-
Improvements other than buildings	359,383,788	59,770,427	3,185,545	422,339,760	-
Machinery and equipment	7,751,859	1,013,940	1,423,314	10,189,113	-
Construction in progress	14,573,852	3,248,580	-	17,822,432	-
Less accumulated depreciation	(85,501,620)	(20,401,499)	(4,179,614)	(110,082,733)	-
Total capital assets (net of accumulated depreciation)	318,084,174	86,041,197	2,659,318	406,784,689	-
Total noncurrent assets	331,178,648	86,041,197	2,659,318	419,879,163	-
TOTAL ASSETS	401,551,835	91,172,209	20,630,619	513,354,663	9,532,805
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	499,139	128,212	164,558	791,909	8,070
Deferred investment loss	115,056	29,554	37,931	182,541	1,860
Deferred charge for refunding	69,372	-	-	69,372	-
Excess consideration provided for acquisition	-	6,321,851	-	6,321,851	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	683,567	6,479,617	202,489	7,365,673	9,930

(continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	$ 1,115,715	$ 189,478	$ 130,152	$ 1,435,345	$ 1,002,431
Other accrued liabilities	422,149	40,395	746,355	1,208,899	-
Due to other funds	211,800	-	42,051	253,851	-
Note payable- interfund	-	-	48,786	48,786	-
Compensated absences	49,081	8,314	14,289	71,684	-
Accrued interest payable	115,521	-	-	115,521	-
Total current liabilities unrestricted	1,914,266	238,187	981,633	3,134,086	1,002,431
Liabilities (payable from restricted assets):					
Accounts payable	344,123	10,144	-	354,267	-
Revenue bonds payable, current	4,785,000	-	-	4,785,000	-
Other accrued liabilities	575,032	2,175	-	577,207	-
Deposits	2,785,846	76,930	10,000	2,872,776	-
Total current liabilities (payable from restricted assets)	8,490,001	89,249	10,000	8,589,250	-
Total current liabilities	10,404,267	327,436	991,633	11,723,336	1,002,431
Noncurrent liabilities:					
Net pension liability	2,223,809	317,709	704,061	3,245,579	36,399
Compensated absences	496,267	84,066	144,474	724,807	-
Note payable- interfund	-	-	780,585	780,585	-
Revenue bonds, certificates of obligation payable	61,224,020	-	-	61,224,020	-
Total noncurrent liabilities	63,944,096	401,775	1,629,120	65,974,991	36,399
TOTAL LIABILITIES	74,348,363	729,211	2,620,753	77,698,327	1,038,830
DEFERRED INFLOWS OF RESOURCES					
Deferred pension experience gains	111,276	28,583	36,686	176,545	1,799
NET POSITION					
Net investment in capital assets	252,075,154	86,041,197	2,659,318	340,775,669	-
Restricted for:					
Use of impact fees	8,995,690	-	-	8,995,690	-
Debt service	4,248,344	-	-	4,248,344	-
Unrestricted	62,456,575	10,852,835	15,516,351	88,825,761	8,502,106
TOTAL NET POSITION	$ 327,775,763	$ 96,894,032	$ 18,175,669	$ 442,845,464	$ 8,502,106

(concluded)

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities – Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 58,812,694	$ 5,785,792	$ 10,247,979	$ 74,846,465	$ 17,040,950
Intergovernmental	-	67,332	-	67,332	-
Miscellaneous	41,655	15,383	141,602	198,640	-
Total operating revenues	58,854,349	5,868,507	10,389,581	75,112,437	17,040,950
OPERATING EXPENSES					
Personnel services	6,305,784	1,605,127	2,009,972	9,920,883	94,987
Materials and supplies	616,725	2,369,849	77,865	3,064,439	-
Maintenance	3,810,436	42,449	158,621	4,011,506	-
Purchase of water	33,894,557	-	-	33,894,557	-
Contract payments	3,282,479	233,193	6,257,706	9,773,378	-
Utilities	913,972	149,266	4,355	1,067,593	-
Depreciation	8,264,922	4,004,779	230,920	12,500,621	-
Other	986,108	454,864	231,165	1,672,137	14,655,575
Total operating expenses	58,074,983	8,859,527	8,970,604	75,905,114	14,750,562
Operating income (loss)	779,366	(2,991,020)	1,418,977	(792,677)	2,290,388
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	587,765	4,386	70,977	663,128	10,371
Interest and fiscal charges	(2,368,210)	-	-	(2,368,210)	-
Amortization of deferred refunding amount	(43,814)	-	-	(43,814)	-
Gain (loss) from disposal of assets	(88,794)	(14,629)	11,317	(92,106)	-
Total nonoperating revenues (expenses)	(1,913,053)	(10,243)	82,294	(1,841,002)	10,371
Income(loss) before contributions and transfers	(1,133,687)	(3,001,263)	1,501,271	(2,633,679)	2,300,759
Contributions	16,004,910	2,704,163	29,060	18,738,133	-
Transfers in	-	613,513	57,625	671,138	-
Transfers out	(3,126,486)	(491,866)	(630,308)	(4,248,660)	-
Change in net position	11,744,737	(175,453)	957,648	12,526,932	2,300,759
Net position, as previously reported	317,818,251	97,275,050	17,778,148	432,871,449	6,230,687
Cumulative effect adjustment	(1,787,225)	(205,565)	(560,127)	(2,552,917)	(29,340)
Net position, beginning of year, as adjusted	316,031,026	97,069,485	17,218,021	430,318,532	6,201,347
Net position, end of year	$ 327,775,763	$ 96,894,032	$ 18,175,669	$ 442,845,464	$ 8,502,106

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING ACTIVITIES					
Cash received from customers and users	$ 55,403,339	$ 5,817,648	$ 10,835,234	$ 72,056,221	$ 17,157,617
Other operating revenues	238,307	126,137	141,602	506,046	-
Cash payments to employees for services	(6,347,948)	(1,622,890)	(2,016,244)	(9,987,082)	(96,059)
Cash payments to suppliers for goods and services	(43,453,750)	(2,881,960)	(6,709,362)	(53,045,072)	(14,731,431)
Net cash provided by operating activities	5,839,948	1,438,935	2,251,230	9,530,113	2,330,127
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	(432)	613,513	57,625	670,706	-
Transfers to other funds	(3,326,177)	(491,866)	(630,308)	(4,448,351)	-
Net cash provided by (used for) noncapital financing activities	(3,326,609)	121,647	(572,683)	(3,777,645)	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(4,625,000)	-	-	(4,625,000)	-
Issuance of bonds	5,378,769	-	-	5,378,769	-
Principal paid on loans	-	-	(47,947)	(47,947)	-
Payments received on loans to component units	-	-	787,212	787,212	-
Proceeds from advances	-	-	47,947	47,947	-
Interest and fiscal charges paid on debt	(2,508,575)	407,361	-	(2,101,214)	-
Acquisition and construction of capital assets	(7,699,792)	(3,604,449)	-	(11,304,241)	-
Proceeds from the sale of assets	55,043	-	11,239	66,282	-
Contributions	3,809,856	2,704,163	-	6,514,019	-
Net cash provided by (used for) capital and related financing activities	(5,589,699)	(492,925)	798,451	(5,284,173)	-
INVESTING ACTIVITIES					
Purchase of investments	(7,561,145)	-	(1,393,494)	(8,954,639)	-
Proceeds from sale and maturities of investments	5,238,344	-	-	5,238,344	-
Investment income	572,330	4,386	67,796	644,512	10,371
Net cash provided by (used for) investing activities	(1,750,471)	4,386	(1,325,698)	(3,071,783)	10,371
Net change in cash and cash equivalents	(4,826,831)	1,072,043	1,151,300	(2,603,488)	2,340,498
Cash and Cash Equivalents, Beginning of Year	53,884,395	3,617,151	8,813,754	66,315,300	7,052,766
Cash and Cash Equivalents, End of Year	$ 49,057,564	$ 4,689,194	$ 9,965,054	$ 63,711,812	$ 9,393,264
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and cash equivalents	$ 17,095,669	$ 2,512,138	$ 9,955,054	$ 29,562,861	$ 9,393,264
Restricted cash and cash equivalents	31,961,895	2,177,056	10,000	34,148,951	-
Total cash and cash equivalents	$ 49,057,564	$ 4,689,194	$ 9,965,054	$ 63,711,812	$ 9,393,264
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$ 779,366	$ (2,991,020)	$ 1,418,977	$ (792,677)	$ 2,290,388
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	8,264,922	4,004,779	230,920	12,500,621	-
Change in pension expense	(66,335)	(17,039)	(21,869)	(105,243)	(1,073)
Provision for uncollectibles	109,860	-	17,867	127,727	-
(Increases) decreases in assets:					
Accounts receivable	(4,013,574)	35,021	569,388	(3,409,165)	116,667
Prepaid expenses	(855)	296,366	-	295,511	-
Due from other governments	238,307	43,422	-	281,729	-
Inventory	(14,300)	(19,718)	-	(34,018)	-
Increases (decreases) in liabilities:					
Accounts payable	(220,943)	81,258	(6,572)	(146,257)	(75,855)
Accrued liabilities	244,970	9,755	26,922	281,647	-
Due to other funds	-	-	1,682	1,682	-
Deposits	494,359	(3,165)	-	491,194	-
Liability for accrued vacation	24,171	(724)	13,915	37,362	-
Total adjustments	5,060,582	4,429,955	832,253	10,322,790	39,739
Net cash provided by operating activities	$ 5,839,948	$ 1,438,935	$ 2,251,230	$ 9,530,113	$ 2,330,127

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2015

	Agency Fund
	BB Owen Park
ASSETS	
Cash and cash equivalents	$ 10,223,352
Total assets	$ 10,223,352
LIABILITIES	
Developer escrows	$ 10,223,352
Total liabilities	$ 10,223,352

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2015

	McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
ASSETS					
Cash and cash equivalents	$ 23,453,150	$ 56,235,881	$ 191,748	$ 649,652	$ 80,530,431
Investments	-	3,001,707	-	-	3,001,707
Receivables (net of allowance for uncollectibles)	1,953,698	3,683,051	285	20,609	5,657,643
Prepaid items	16,178	8,602	21,200	10,697	56,677
Restricted assets- cash and cash equivalents	1,592,827	-	-	-	1,592,827
Capital assets, non depreciable	15,007,272	7,288,178	-	-	22,295,450
Capital assets, net of accumulated depreciation	40,284	2,279,605	-	-	2,319,889
Total Assets	42,063,409	72,497,024	213,233	680,958	115,454,624
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	71,518	20,027	20,882	-	112,427
Deferred investment loss	16,486	4,617	4,813	-	25,916
Total Deferred Outflows of Resources	88,004	24,644	25,695	-	138,343
LIABILITIES					
Accounts payable	31,435	1,491,819	28,177	517,526	2,068,957
Other accrued liabilities	19,391	71,091	7,455	-	97,937
Accrued interest payable	47,925	-	-	-	47,925
Noncurrent liabilities					
Due within one year					
Note payable to primary government	792,001	-	-	-	792,001
Compensated absences	3,452	2,327	4,341	-	10,120
Bonds payable	1,010,000	955,000	-	-	1,965,000
Due in more than one year					
Net pension liability	285,026	89,912	92,207	-	467,145
Note payable to primary government	2,423,840	-	-	-	2,423,840
Compensated absences	34,907	23,524	43,889	-	102,320
Bonds payable	11,710,000	23,315,000	-	-	35,025,000
Total Liabilities	16,357,977	25,948,673	176,069	517,526	43,000,245
DEFERRED INFLOWS OF RESOURCES					
Deferred pension experience gains	15,944	4,465	4,655	-	25,064
Total Deferred Inflows of Resources					
NET POSITION					
Net investment in capital assets	2,327,556	9,567,783	-	-	11,895,339
Restricted for debt service	1,592,827	-	-	-	1,592,827
Unrestricted	21,857,109	37,000,747	58,204	163,432	59,079,492
Total Net Position	$ 25,777,492	$ 46,568,530	$ 58,204	$ 163,432	$ 72,567,658

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
McKinney Economic Development Corporation	$ 3,408,236	$ 262,733	$ -	$ -
McKinney Community Development Corporation	3,933,097	-	-	-
McKinney Convention & Visitors Bureau	554,536	-	355,000	-
McKinney Main Street Corporation	1,006,176	1,008,679	-	-
Total Component Units	$ 8,902,045	$ 1,271,412	$ 355,000	$ -
General revenues				
Sales taxes				
Investment income				
Gain (loss) on sale of asset				
Miscellaneous				
Total general revenues				
Change in net position				
Net position, as previously reported				
Cumulative effect adjustment				
Net position, beginning of year, as adjusted				
Net position, end of year				

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Component Units				
McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
$ (3,145,503)	$ -	$ -	$ -	$ (3,145,503)
-	(3,933,097)	-	-	(3,933,097)
-	-	(199,536)	-	(199,536)
-	-	-	2,503	2,503
$ (3,145,503)	$ (3,933,097)	$ (199,536)	$ 2,503	$ (7,275,633)
$ 10,818,246	$ 10,818,246	$ -	$ -	$ 21,636,492
21,495	86,936	340	-	108,771
1,227,341	-	-	-	1,227,341
-	11	4,003	-	4,014
12,067,082	10,905,193	4,343	-	22,976,618
8,921,579	6,972,096	(195,193)	2,503	15,700,985
17,078,384	39,668,828	327,339	160,929	57,235,480
(222,471)	(72,394)	(73,942)	-	(368,807)
16,855,913	39,596,434	253,397	160,929	56,866,673
$ 25,777,492	$ 46,568,530	$ 58,204	$ 163,432	$ 72,567,658

The accompanying notes to the basic financial statements are an integral part of this statement.

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of McKinney (the City) was incorporated in 1848. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2015.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the original adopted and final amended budgets with actual results for adopted funds.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been combined and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Combining statements for the five discretely presented component units have also been presented in the basic financial statements following the fund information.

The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund. For more information about the MEDC, refer to Note 11 at page 66.

The McKinney Community Development Corporation (MCDC) is a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council, and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund. For more information about the MCDC, refer to Note 12 at page 70.

The McKinney Main Street (MMS) is a discreetly presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. The City does not have a voting majority of MMS. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end.

MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS. For more information about MMS, refer to Note 13 at page 74.

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB.

There are no separately issued financial statements of the MCVB. For more information about the MCVB, refer to Note 14 at page 76.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service fund, and the street construction fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets.

Internal service funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments include providing risk financing and insurance-related activities.

All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

c. **The Street Construction Fund** is used to account for the acquisition or construction of streets projects being financed from general obligation or certificate of obligation bond proceeds, grants, or transfers from other funds.

Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.

b. **The Airport Fund** is used to account for the operations of the airport.

Other Proprietary Funds is a summarization of all of the nonmajor proprietary funds.

The Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The insurance claims self-funded program of the City is accounted for in this fund. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants.

3. Agency Fund:

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

E. Cash and Cash Equivalents

Cash of all funds, excluding the City's payroll clearing account, law enforcement bank account, and certain escrow accounts, is pooled into a common interest earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments purchased with pooled cash, as well as separate investments, are recorded at cost and adjusted to fair value at year-end for securities with a maturity of one year or more from the date of investment. The fair value is based on the market price. The fair value of the local government investment pools is the same as the fair value of the pool shares. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

Realized gains and losses on investments that have been held during more than one fiscal year, and sold in the current, were included as a change in the fair value of the investments reported in the prior year and the current year. Management's intent is to hold all investments to maturity.

F. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are also classified as nonspendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and fuel and are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2015, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

G. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts, and are reported as "due to/from other funds." Long-term advances between funds are reported as "advances to/from other funds" and represent the noncurrent portion of interfund loans.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Utility Capital Projects Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Revenue Debt Service Fund is used to segregate resources accumulated for debt service payments over the next twelve months. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the Revenue Debt Service Fund. The Revenue Bond Reserve Fund is required to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

Also included in the restricted assets are capital recovery fees that are, by law, restricted to the projects these funds may be used to support. The Utility Development Impact Fee Fund is used to segregate these resources and to account for the use of these funds.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Enterprise Fund.

The Utility Capital Projects Fund, Revenue Debt Service Fund, Revenue Bond Reserve Fund, and Utility Development Impact Fee Funds are included in the Water and Wastewater column on the proprietary funds statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2015, $379,555 was capitalized in the Water and Wastewater Enterprise Fund.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building / Structures	10 - 50
Land Improvements	20
Water and Sewer System	50
Machinery and equipment	3 - 15
Motor Vehicles	2 - 10
Traffic Signals	10 - 15
Parks	20
Service Animals	7 - 10
Storm Sewer	50
Streets	20

J. Compensated Absences

Vacation is earned in varying amounts up to a maximum of 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire and sworn police personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 10 years of service. Qualifying sworn police personnel are eligible for varying amounts of sick leave up to a maximum of 770 hours after 10 years of service.

All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred charge for refunding are amortized straight line over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is recorded as deferred outflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixture, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, that the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized to pension expense over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. The City has only one type of item that qualifies for reporting in this category in the government wide financial statements. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

N. Fund Equity

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds on accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the city. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

O. Change in Accounting Principle

The GASB has issued the following statement which became effective for fiscal year 2015.
Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted in a restatement of beginning net position at October 1, 2014, for the recording of the beginning net pension liability offset by the beginning deferred outflow of resources for contributions made after the December 31, 2013 measurement date through September 30, 2014. Adjustments to beginning net position for the adoption of GASB 68 are as follows:

	Government-wide Statement of Activities		
	Governmental Activities	Business-type Activities	Component Units
Net position at September 30, 2014 as previously reported	$ 392,827,258	$ 432,871,449	$ 57,235,480
Recording of net pension liability as of September 30, 2014	(27,058,948)	(3,217,675)	(464,841)
Deferral for pension contributions made after the measurement date	5,590,265	664,758	96,034
Net position at September 30, 2014 as adjusted	$ 371,358,575	$ 430,318,532	$ 56,866,673

	Fund Level Statement of Revenues, Expenses and Changes in Net Position						
	Enterprise Funds				Component Units		
	Water and Wastewater	Airport	Other Enterprise Funds	Internal Service Funds	McKinney Economic Development Corp	McKinney Community Development Corp	McKinney Convention and Visitors Bureau
Net position at September 30, 2014 as previously reported	$ 317,818,251	$ 97,275,050	$ 17,778,148	$ 6,230,687	$ 17,078,384	$ 39,668,828	$ 327,339
Recording of net pension liability as of September 30, 2014	(2,252,604)	(259,092)	(705,979)	(36,980)	(280,401)	(91,244)	(93,196)
Deferral for pension contributions made after the measurement date	465,379	53,527	145,852	7,640	57,930	18,850	19,254
Net position at September 30, 2014 as adjusted	$ 316,031,026	$ 97,069,485	$ 17,218,021	$ 6,201,347	$ 16,855,913	$ 39,596,434	$ 253,397

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. Each department submits to the City Manager a budget of estimated expenditures for the ensuing fiscal year no later than August 1. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and after the first Monday in September.

Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2015, the total amendments to the original adopted budgeted amounts resulted in a $2,393,664 increase in budgeted General Fund expenditures and Transfers Out.

Budgets for the General Fund, Debt Service Fund, Street Construction Fund, Facilities Improvement Fund, each nonmajor special revenue fund, and each nonmajor capital projects fund are legally adopted on a basis consistent with GAAP.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management.

(3) DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	$ 216,678,381
Investments	29,940,887
Restricted cash and cash equivalents	37,011,727
Restricted investments	13,057,051
	$ 296,688,046
Cash on hand	$ 10,526
Deposits with financial institutions, excluding certificates of deposit	41,615,960
Investments	255,061,560
Total cash and investments	$ 296,688,046

The table below identifies the investment types that are authorized for the City by the Public Funds Investment Act. (Government Code Chapter 2256). The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City policy has a weighted average maturity limit of 730 days.

As of September 30, 2015, the City had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
Certificates of deposit	$ 15,211,331	240
TexPool	34,546,059	40
TexPool Prime	27,602,055	32
LOGIC	29,342,454	33
TexasDaily	30,197,878	37
Texas CLASS	90,375,178	53
Federal Agency securities	19,310,527	781
Municipal securities	8,476,078	681
	$ 255,061,560	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy. The City's weighted average maturity on investment pools is one (1) day.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
Certificates of deposit	$ 15,211,331	AAA/AAA-m	AAA-m
TexPool	34,546,059	AAA/AAA-m	AAAm
TexPool Prime	27,602,055	AAA/AAA-m	AAAm
LOGIC	29,342,454	AAA/AAA-m	AAAm
TexasDaily	30,197,878	AAA/AAA-m	AAAm
Texas CLASS	90,375,178	AAA/AAA-m	AAAm
Federal Agency securities	19,310,527	AAA	AAA
Municipal securities	8,476,078	A	A
	$ 255,061,560		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2015, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the value of LOGIC shares. In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

The City is invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool ("Pool") which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Cutwater Investor Services Corp. with Wells Fargo Bank Texas, NA as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants.

B. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2015, were 99.66% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2015 and the preceding year are as follows (amounts per $100 assessed value):

	2015	2014
General Fund	$ 0.41544	$ 0.42179
Debt Service	0.16756	0.16371
	$ 0.58300	$ 0.58550

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of $2.50, but does not prescribe a legal debt limit. The 2015 ad valorem tax rate of $0.58300 is in compliance with the rate limitation.

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				
	General	Debt Service	Street Construction	Nonmajor Funds	Total
Interest	$ 38,062	$ -	$ 2,142	$ -	$ 40,204
Taxes	7,846,001	321,789	-	420,950	8,588,740
Accounts	5,100,941	-	24	64,731	5,165,696
Other	81,737	-	992,527	886,106	1,960,370
Gross receivables	13,066,741	321,789	994,693	1,371,787	15,755,010
Allowance for uncollectible accounts	(2,349,879)	-	-	-	(2,349,879)
Net total receivables	$ 10,716,862	$ 321,789	$ 994,693	$ 1,371,787	$ 13,405,131

	Business-type Activities			
	Water Wastewater	Airport	Other Enterprise Funds	Total
Customer accounts	$ 12,641,419	$ 14,744	$ 1,945,322	$ 14,601,485
Other	-	-	332,589	332,589
Gross receivables	12,641,419	14,744	2,277,911	14,934,074
Allowance for uncollectible accounts	(1,395,325)	-	(262,912)	(1,658,237)
Net total receivables	$ 11,246,094	$ 14,744	$ 2,014,999	$ 13,275,837
Accrued interest receivable	$ 62,053	$ -	$ 5,169	$ 67,222

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2015. The water and wastewater fund also reported restricted interest receivable at year-end of $37,423.

In February of 2009, MEDC negotiated two loans from the City to redeem their 2002 tax exempt revenue bonds achieving a savings of $289,790 in interest expenses. A promissory note in the amount of $4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. During 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014.The balance of this note as of September 30, 2015, is $3,215,841.

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 27,941,882	$ -	$ -	$ 895,064	$ 28,836,946
Construction in progress	49,405,029	20,442,582	-	(50,825,344)	19,022,267
Total capital assets not being depreciated	77,346,911	20,442,582	-	(49,930,280)	47,859,213
Capital assets being depreciated:					
Buildings	104,588,987	317,171	-	25,357,384	130,263,542
Infrastructure	615,492,209	20,841,450	(6,254,668)	24,572,895	654,651,886
Machinery and equipment	51,932,314	6,005,037	(1,936,756)	25,557	56,026,152
Service animals	62,200	-	(30,000)	-	32,200
Total capital assets being depreciated	772,075,710	27,163,658	(8,221,424)	49,955,836	840,973,780
Less accumulated depreciation for:					
Buildings	(29,317,535)	(3,123,608)	-	-	(32,441,143)
Infrastructure	(297,782,194)	(27,752,465)	4,413,968	-	(321,120,691)
Machinery and equipment	(33,396,970)	(3,782,850)	1,776,798	(27,812)	(35,430,834)
Service animals	(21,255)	(9,166)	9,000	-	(21,421)
Total accumulated depreciation	(360,517,954)	(34,668,089)	6,199,766	(27,812)	(389,014,089)
Total capital assets being depreciated, net	411,557,756	(7,504,431)	(2,021,658)	49,928,024	451,959,691
Governmental activities, capital assets, net	$ 488,904,667	$ 12,938,151	$ (2,021,658)	$ (2,256)	$ 499,818,904

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 29,651,765	$ -	$ -	$ -	$ 29,651,765
Construction in progress	10,228,948	11,032,324	(154,197)	(3,284,642)	17,822,433
Total capital assets, not being depreciated	39,880,713	11,032,324	(154,197)	(3,284,642)	47,474,198
Capital assets being depreciated:					
Buildings	36,832,817	-	(63,952)	95,485	36,864,350
Infrastructure	410,712,931	11,586,824	(3,395,917)	3,435,923	422,339,761
Machinery and equipment	10,030,148	785,764	(354,475)	(272,324)	10,189,113
Total capital assets being depreciated	457,575,896	12,372,588	(3,814,344)	3,259,084	469,393,224
Less: accumulated depreciation for:					
Buildings	(6,694,034)	(1,335,959)	27,146	-	(8,002,847)
Infrastructure	(89,294,328)	(10,035,745)	3,204,806	-	(96,125,267)
Machinery and equipment	(5,601,056)	(735,849)	354,474	27,812	(5,954,619)
Total accumulated depreciation	(101,589,418)	(12,107,553)	3,586,426	27,812	(110,082,733)
Total capital assets being depreciated, net	355,986,478	265,035	(227,918)	3,286,896	359,310,491
Business-type activities capital assets, net	$ 395,867,191	$ 11,297,359	$ (382,115)	$ 2,254	$ 406,784,689

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 2,103,867
Police	78,562
Fire	1,684,382
Libraries	414,703
Development	3,126,727
Parks and recreation	1,305,259
Public works	25,954,589
Total depreciation expense governmental activities	$ 34,668,089
Business Type-Activities:	
Water and Wastewater	$ 8,264,922
Airport	3,611,711
Solid Waste	39,051
Surface Water Drainage	23,656
Golf Course	168,213
Total depreciation expense business-type activities	12,107,553
Airport	
Amortization of excess cost of consideration	393,068
Total depreciation and amortization business-type activities	$ 12,500,621

Capital Improvement Program commitments

The City has active construction projects as of September 30, 2015. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water and Wastewater, and Airport are being financed by revenue bonds, Certificate of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was expenditures not spent.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	$ 193,218,337	$ 75,544,339	$ 117,673,998
Water and Wastewater	34,651,366	17,488,403	17,162,963
Airport	34,905,722	29,148,580	5,757,142
Total	$ 262,775,425	$ 122,181,322	$ 140,594,103

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 211,800	Franchise fee
Water/Wastewater Fund	Solid Waste	12,407	Sanitation accrual
General Fund	Solid Waste	29,644	Sanitation accrual
General Fund	Nonmajor Governmental Funds	173,000	To cover cash shortage
		$ 426,851	

Transfers between funds during the year were as follows:

Transfer Out	Transfer In	Amount
General Fund	Nonmajor Governmental Funds	$ 1,298,765
General Fund	Airport	613,513
Water/Wastewater	General Fund	3,068,861
Water/Wastewater	Solid Waste	57,625
Golf Fund	General Fund	5,000
Airport	General Fund	491,866
Surface Water Drainage	General Fund	210,746
Solid Waste	General Fund	414,562
Nonmajor Governmental Funds	General Fund	150,000
		$ 6,310,938

Transfers are used to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants program, and 4) move restricted impact fees to fund capital improvement program. The City's more significant transfers are listed below:

A transfer of $1,058,765 was made from the general fund to the PEG Cable Channel Fund. PEG cable channel fee revenues must be used to purchase capital items for a Public, Education, and Government (PEG) cable channel. Reserved fees that were collected in prior years in the General Fund were transferred to the new PEG fund.

Transfers of $3,108,219 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees which are expected to be paid from governmental activities.

Note Receivable

In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of $800,000. In March 2011, City Council approved an increase to the existing loan of $261,000. The balance of the note as of September 30, 2015, is $829,371. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

F. Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Tax, court, EMS, and franchise fees which are reported as unavailable revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Grant and miscellaneous revenues are reported as unearned in both the governmental and government-wide financial statements.

At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Street Construction Fund	Unavailable Revenue	Unearned Revenue
Tax revenue	$ 637,715	$ 270,666	$ -	$ 908,381	$ -
Court revenue	1,834,723	-	-	1,834,723	-
EMS revenue	793,778	-	-	793,778	-
Franchise fees	1,024,092	-	-	1,024,092	-
Miscellaneous	74,210	-	-	-	74,210
Grants	-		2,150,293	-	2,150,293
	$ 4,364,518	$ 270,666	$ 2,150,293	$ 4,560,974	$ 2,224,503

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2015, is as follows:

Governmental Activities:	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation bonds	$ 144,245,000	$ 45,715,000	$ (10,750,000)	$ 179,210,000	$ 10,195,000
Certificates of obligation	68,875,000	-	(2,735,000)	66,140,000	3,995,000
Tax notes	4,910,000	-	-	4,910,000	1,190,000
	218,030,000	45,715,000	(13,485,000)	250,260,000	15,380,000
Issuance premium	7,556,046	7,009,685	(1,401,604)	13,164,127	-
Total bonds payable	225,586,046	52,724,685	(14,886,604)	263,424,127	15,380,000
Capital lease	-	2,538,464	(806,215)	1,732,249	312,719
OPEB liability	797,947	648,340	(470,415)	975,872	-
Net pension liability	27,058,948	-	(226,883)	26,832,065	-
Compensated absences	8,193,352	1,722,787	(764,440)	9,151,699	823,652
Governmental activity long-term debt	$ 261,636,293	$ 57,634,276	$ (17,154,557)	$ 302,116,012	$ 16,516,371
Business-type Activities:					
Bonds payable:					
Water and wastewater revenue bonds	$ 64,415,000	$ 12,725,000	$ (13,255,000)	$ 63,885,000	$ 4,785,000
Issuance premium	1,027,436	1,319,881	(223,297)	2,124,020	-
Total bonds payable	65,442,436	14,044,881	(13,478,297)	66,009,020	4,785,000
Net pension liability	3,217,675	27,904	-	3,245,579	-
Compensated absences	759,131	108,188	(70,828)	796,491	71,684
Business-type activity long-term debt	$ 69,419,242	$ 14,180,973	$ (13,549,125)	$ 70,051,090	$ 4,856,684

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued holiday, portion of sick leave, compensatory time and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

General Obligation Bonds, Certificates of Obligation, and Tax Notes

The General Obligation Bonds include $250,260,000 of serial bonds, Certificates of Obligation, and tax notes with interest rates ranging from 0.23% to 5.50% maturing annually in varying amounts through 2035. Interest for these bonds is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes.

In July 2015, the City issued $45,715,000 of Series 2015, General Obligation Bonds. The debt was issued to assist in the funding of general capital improvements. The obligations are payable over the next 30 years.

Debt service requirements of the general obligation bonds, certificates of obligation bonds, and tax notes for the years subsequent to September 30, 2015, are as follows:

The City Charter does not prescribe a debt limit.

	General Obligation Bonds			Certificates of Obligation			Tax Notes			
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	Total GO, CO, and Tax Notes Requirements
2016	$ 10,195,000	$ 8,133,359	$ 18,328,359	$ 3,995,000	$ 2,685,597	$ 6,680,597	$ 1,190,000	$ 98,200	$ 1,288,200	$ 26,297,156
2017	11,295,000	7,639,028	18,934,028	3,280,000	2,554,217	5,834,217	1,215,000	74,400	1,289,400	26,057,645
2018	11,905,000	7,211,140	19,116,140	3,060,000	2,446,290	5,506,290	1,240,000	50,100	1,290,100	25,912,530
2019	12,370,000	6,694,088	19,064,088	3,055,000	2,343,864	5,398,864	1,265,000	25,300	1,290,300	25,753,252
2020	12,720,000	6,187,878	18,907,878	3,180,000	2,236,533	5,416,533	-	-	-	24,324,411
2021-2025	64,965,000	22,017,128	86,982,128	19,230,000	9,138,692	28,368,692	-	-	-	115,350,820
2026-2030	37,180,000	9,164,293	46,344,293	23,380,000	4,498,767	27,878,767	-	-	-	74,223,060
2031-2035	18,580,000	2,841,515	21,421,515	6,960,000	971,105	7,931,105	-	-	-	29,352,620
	$ 179,210,000	$ 69,888,429	$ 249,098,429	$ 66,140,000	$ 26,875,065	$ 93,015,065	$ 4,910,000	$ 248,000	$ 5,158,000	$ 347,271,494

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 1.50% to 5.50%, maturing annually in varying amounts through years 2035 and interest is payable semi-annually.

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund. Gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. The City is in compliance with the revenue bond debt covenants as of September 30, 2015. Remaining revenues may then be used for any lawful purpose.

In July 2015, the City issued $12,725,000 of Series 2015, Water Sewer Revenue and Refunding Bonds. The debt was issued to refund the Series 2005 Water Sewer Revenue Bonds. Net proceeds from the sale of bonds totaled $14,044,881. Of these proceeds, $8,804,030 was placed with an escrow agent to pay off the remaining principle and accrued interest in July 2015. The new obligations are payable over the next 30 years. The refunding resulted in a decrease in the City's debt service payments of $1,001,609 which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $904,707.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2015, are as follows:

	Revenue Bonds		
Fiscal Year	**Principal**	**Interest**	**Total**
2016	$ 4,785,000	$ 2,601,178	$ 7,386,178
2017	4,915,000	2,349,669	7,264,669
2018	4,965,000	2,176,330	7,141,330
2019	5,020,000	1,990,704	7,010,704
2020	5,085,000	1,807,729	6,892,729
2021-2025	26,545,000	5,894,711	32,439,711
2026-2030	10,990,000	1,305,381	12,295,381
2031-2035	1,580,000	205,500	1,785,500
	$ 63,885,000	$ 18,331,202	$ 82,216,202

Capital Leases

During 2015, the City entered into three capital leases totaling $2,538,464 for the purchase of CPR devices, two ladder firetrucks and a tanker firetruck. The leases are payable over the next six years.

Fiscal Year	Principal Requirements	Interest Requirements	Total
2016	$ 312,719	$ 40,199	$ 352,918
2017	314,116	38,802	352,918
2018	302,219	29,873	332,092
2019	299,826	21,853	321,679
2020	307,953	13,726	321,679
2021	195,416	5,379	200,795
	$ 1,732,249	$ 149,832	$ 1,882,081

H. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:	$ 2,785,846	$ -	$ 2,785,846
Operating Fund (includes customer deposits)			
Utility Capital Projects Fund	26,494,223	37,028	26,531,251
Utility Development Impact Fee	8,995,690	-	8,995,690
Revenue Debt Service Fund	5,278,654	-	5,278,654
Revenue Bond Reserve Fund	4,250,379	395	4,250,774
Airport Funds:			
Operating Fund (includes customer deposits)	76,930	-	76,930
Airport Construction Fund	2,177,056	-	2,177,056
Golf Course Funds:			
Operating Fund (includes customer deposits)	10,000	-	10,000
	$ 50,068,778	$ 37,423	$ 50,106,201

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment principal and interest on all the revenue bonds. At September 30, 2015, net position is sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the water and wastewater system. The proceeds are maintained as Restricted Assets – Utility Capital Projects Fund until such time as needed to fund the water and wastewater system construction program.

(4) DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Management Association Retirement Corporation (ICMARC) and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

(5) PENSION PLAN

A. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	0%
Annuity increase to retirees	0% of CPT

Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	226
Inactive employees entitled to but not yet receiving benefits	289
Active employees	870
Total	1,385

B. Contributions

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined and for the fiscal year ended September 30, 2015, the City made contributions of $9,195,319, or 16.78% of covered payroll.

C. Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy postretirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.80%
International equity	17.5%	6.05%
Core fixed income	30.0%	1.50%
Non-core fixed income	10.0%	2.50%
Real return	5.0%	1.75%
Real estate	10.0%	5.25%
Absolute return	5.0%	4.25%
Private equity	5.0%	8.50%
Total	100%	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances as of September 30, 2014	$ 189,339,391	$ 158,597,927	$ 30,741,464
Changes for the year:			
Service cost	9,534,719	-	9,534,719
Interest on total pension liability	13,426,027	-	13,426,027
Effect of difference in expected and actual experience	(1,820,025)	-	(1,820,025)
Benefit payments	(4,612,787)	(4,612,787)	-
Administrative expenses	-	(94,724)	94,724
Member contributions	-	3,855,271	(3,855,271)
Net investment income	-	9,074,467	(9,074,467)
Employer contributions	-	8,510,170	(8,510,170)
Other	-	(7,788)	7,788
Balances as of September 30, 2015	$ 205,867,325	$ 175,322,536	$ 30,544,789

F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6%)	**Current Discount Rate (7%)**	**1% Increase in Discount Rate (8%)**
City's net pension liability	$65,048,775	$30,544,789	$2,649,261

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2015, the City recognized pension expense of $8,260,216.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	$ -	$ 1,568,633
Differences between projected and actual investment earnings	1,621,910	-
Contributions subsequent to the measurement date through year-end	7,036,206	-
Total	$ 8,658,116	$ 1,568,633

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $7,036,206 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the city's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	
2016	$ 154,086
2017	154,086
2018	154,086
2019	154,084
2020	(251,392)
Thereafter	(311,673)
Total	$ 53,277

Supplemental Death Benefit Fund

The City contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2015, 2014, and 2013, were $76,574, $68,697, and $59,771, respectively, which equaled the required contributions each year.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the Pension Trust Fund.

(6) OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The City provides postemployment medical and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

All medical care benefits are provided through the City's self-insured health plan. The two optional benefit levels, CityCare PPO and CityCare Plus PPO, are the same for retirees as those afforded to active employees.

As of September 30, 2015, membership consisted of:

Retirees and beneficiaries receiving benefits	24
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	807
Total	831

B. Benefits Provided

To be eligible for coverage a retiree must qualify under all three of the following:

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and

2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than the effective date of retirement; and

3. Enrolls for Retiree health coverage no later than the effective date of retirement.

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees or dependents who are Medicare eligible may not remain on the Plan; however, retirees may elect to purchase a Medicare supplement offered by the City.

C. Accounting Policies

An irrevocable trust has not been established; therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

D. Funding Policy

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

CITYCARE PPO		
Single Coverage	$	553
Singe + Spouse	$	1,131
Single + Children	$	998
Single + Family	$	1,424

CITYCARE PLUS PPO		
Single Coverage	$	614
Singe + Spouse	$	1,358
Single + Children	$	1,187
Single + Family	$	1,697

E. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over an open period of thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2015:

	2015	2014	2013
Annual required contribution	$ 648,340	$ 415,996	$ 415,996
Interest on prior year net OPEB obligation	35,908	37,221	26,127
Adjustment to annual required contribution	(50,227)	(52,064)	(26,127)
Annual OPEB cost	634,021	401,153	415,996
Contributions made	456,096	430,341	169,470
Increase (decrease) in net OPEB obligation	177,925	(29,188)	246,526
Net OPEB obligation, beginning of year	797,947	827,135	580,609
Net OPEB obligation, end of year	$ 975,872	$ 797,947	$ 827,135
Percentage of OPEB costs contributed	71.9%	107.3%	40.7%

Funded Status and Funding Progress:

The funded status of the plan as of actuarial measurement date of December 31, 2014, was as follows:

Actuarial accrued liability (AAL)	$ 3,559,916
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 3,559,916
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll	$ 54,810,138
Unfunded actuarial accrued liability as a percentage of covered payroll	6.49%

Although not considered contributions under GASB 45, the City has assigned $2,485,325 of fund balance in the General Fund for funding of the OPEB liability.

F. Actuarial Methods and Assumptions

Projections of benefits are based on substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions use include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. The rate of inflation is assumed to be 3%.

(7) WATER PURCHASE, WASTEWATER AND SOLID WASTE DISPOSAL CONTRACTS

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2015, were $20,322,537.

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2015, was $13,572,019.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any “additional member city,” as defined. Each member city pays an “annual payment,” as defined, as its share of operating expenses and debt service of NTMWD. The City’s annual payment for the year ended September 30, 2015, was $5,001,834.

(8) LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City’s management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City’s operations or financial position.

(9) CONTINGENT LIABILITIES

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have pledged (guaranteed) to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city’s pro-rata usage of the respective systems. Outstanding principal balances as of September 30, 2015, are as follows:

	NTMWD Debt Service *	McKinney's Allocated Share
Water System	$ 1,188,980,000	$ 128,571,541
Wastewater System	345,045,000	74,178,142
Solid Waste System	35,265,000	7,968,620
Total	$ 1,569,290,000	$ 210,718,303

* Only represents NTMWD debt service related to systems servicing McKinney. It may not reflect NTMWD's total debt service.

(10) INSURANCE AND RISK MANAGEMENT

The City's Insurance and Risk Management Internal Service Fund accounts for health care claims, workers' compensation claims, property, and general liability claims.

The City provides health care benefits to City employees under a partially self-insured plan (the "Plan"). Under the Plan, the City and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess ("stop loss") insurance policy covering individual claims in excess of $150,000. The City utilizes the Cigna as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2015, the City and the City's employees' contributions paid under the Plan were $10,547,028 and $2,324,793 respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The General Fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of $100,000 per accident, with an annual aggregate retention of $500,000. During 2015, the City contributed $130,054 for workers' compensation coverage.

The City maintains a deductible of $25,000 per occurrence for property, $10,000 for the Airport, and $50,000 for all liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. During 2015, the City contributed $481,250 for property and general liability coverage.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims.

The changes in the Insurance and Risk Management liability amount in fiscal 2015 and 2014 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2015:				
Health Claims	$ 613,461	$ 9,715,403	$ (9,821,162)	$ 507,702
Workers' Comp	251,292	783,459	(815,601)	219,150
Total	$ 864,753	$ 10,498,862	$ (10,636,763)	$ 726,852

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2014:				
Health Claims	$ 696,806	$ 9,876,117	$ (9,959,462)	$ 613,461
Workers' Comp	310,644	568,828	(628,180)	251,292
Total	$ 1,007,450	$ 10,444,945	$ (10,587,642)	$ 864,753

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

(11) MCKINNEY ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, MEDC is a discretely presented component unit on the combined financial statements. The MEDC is financed with a voter approved half-cent city sales tax, to aid, promote and further the economic development within the City. Under a contract between the MEDC and the City, the City provides financial services for the MEDC.

A. Deposits and Investments

Cash and investments as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

Statement of financial position	
Cash and cash equivalents	$ 23,453,150
Restricted cash and cash equivalents	1,592,827
	$ 25,045,977
Cash on hand	$ 200
Deposits with financial institution	2,919,194
Investments	22,126,583
Total cash and investments	$ 25,045,977

The table below identifies the investment types that are authorized for MEDC by the Public Funds Investment Act (Government Code Chapter 2256). The table also identifies certain provisions of MEDC's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MEDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MEDC is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MEDC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

MEDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2015, MEDC had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
LOGIC	$ 4,511,672	33
TexPool	6,006,157	40
TexPool Prime	2,505,882	33
TexasDaily	4,511,517	37
Texas CLASS	4,591,355	53
	$ 22,126,583	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy. The City's weighted average maturity on investment pools is one (1) day.

As of September 30, 2015, MEDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MEDC's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
LOGIC	$ 4,511,672	AAA/AAA-m	AAAm
TexPool	6,006,157	AAA/AAA-m	AAAm
TexPool Prime	2,505,882	AAA/AAA-m	AAAm
TexasDaily	4,511,517	AAA/AAA-m	AAAm
Texas CLASS	4,591,355	AAA/AAA-m	AAAm
Total fair value	$ 22,126,583		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MEDC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2015, MEDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Receivables

At September 30, 2015, accounts and notes receivable on the Statement of Net Position represent amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporations the City has elected to expense the advance at the time of transfer.

At September 30, 2015, accounts receivable includes $1,948,586 representing sales tax owed to MEDC and other receivables of $5,112. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2015.

C. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit activities					
Capital assets not being depreciated:					
Land	$ 14,972,139	$ 217,859	$ (182,726)	$ -	$ 15,007,272
Total capital assets, not being depreciated	14,972,139	217,859	(182,726)	-	15,007,272
Capital assets being depreciated:					
Improvements other than buildings	257,783	-	-	-	257,783
Machinery and equipment	28,231	-	-	-	28,231
Total capital assets being depreciated	286,014	-	-	-	286,014
Less: accumulated depreciation for:					
Improvements other than buildings	(207,299)	(12,891)	-	-	(220,190)
Machinery and equipment	(24,464)	(1,076)	-	-	(25,540)
Total accumulated depreciation	(231,763)	(13,967)	-	-	(245,730)
Total capital assets being depreciated, net	54,251	(13,967)	-	-	40,284
Capital assets, net	$ 15,026,390	$ 203,892	$ (182,726)	$ -	$ 15,047,556

D. Long-Term Debt

	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Sales tax revenue bonds	$ 13,695,000	$ -	$ (975,000)	$ 12,720,000	$ 1,010,000
Note payable to primary government	4,000,000	-	(784,159)	3,215,841	792,001
Net pension liability	280,401	4,625	-	285,026	-
Compensated absences	57,502	-	(19,143)	38,359	3,452
Component unit activities:					
Long-term debt	$ 18,032,903	$ 4,625	$ (1,778,302)	$ 16,259,226	$ 1,805,453

Bonds Payable consisted of the following as of September 30, 2015:

	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
Bonds Payable:				
Sales Tax Revenue Bonds 2011, Tax Exempt 2011	2/1/2011	2.5-4.38%	9/1/2025	$ 5,235,000
Sales Tax Revenue Bonds 2011, Taxable 2011	2/1/2011	4-5.6%	9/1/2025	7,485,000
Total bonds payable				$ 12,720,000

Debt service requirements of the notes payable applicable to the Sales Tax Revenue 2011 and Sales Tax 2011, Taxable bonds for the years subsequent to September 30, 2015, are as follows:

	Sales Tax Revenue 2011 Bonds			Sales Tax Revenue 2011 Taxable Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	$ 575,000	$ 364,765	$ 939,765	$ 435,000	$ 198,013	$ 633,013
2017	605,000	341,765	946,765	450,000	184,962	634,962
2018	635,000	317,565	952,565	470,000	171,462	641,462
2019	665,000	291,213	956,213	490,000	157,363	647,363
2020	715,000	261,953	976,953	500,000	140,213	640,213
2021-2025	4,290,000	729,178	5,019,178	2,890,000	377,913	3,267,913
	$ 7,485,000	$ 2,306,439	$ 9,791,439	$ 5,235,000	$ 1,229,926	$ 6,464,926

E. Notes Payable to Primary Government

Notes Payable to Primary Government consisted of Tax Exempt 2002 Bonds.

In February of 2009, the MEDC negotiated a loan from the City of McKinney. Proceeds were used to redeem their 2002 Tax-Exempt and Taxable revenue bonds achieving a savings of $587,685 in interest expenses. Two promissory notes, in the amount of $4,000,000 for the Tax-Exempt 2002 bonds, and $7,070,000 for the Taxable 2002 bonds, were executed on February 27, 2009. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2015, is $3,215,841.

Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2015, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2016	$ 792,001	$ 32,158	$ 824,159
2017	799,921	24,238	824,159
2018	807,920	16,239	824,159
2019	815,999	8,160	824,159
	$ 3,215,841	$ 80,795	$ 3,296,636

(12) MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 61, MCDC is a discretely presented component unit on the combined financial statements. In January 1996, the citizens of McKinney elected to adopt an additional half-cent sales tax in accordance with Sec. 4B Art. 5190.6 of Vernon's Texas Civil Statutes. This revenue source will be used to fund various public facilities and infrastructure including but not limited to parks, cultural and civic facilities, sports facilities, and historic preservation and tourism facilities. Under a contract between the MCDC and the City, the City provides financial services for the MCDC.

A. Deposits and Investments

Cash and investments as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

Statement of financial position	
Cash and cash equivalents	$ 56,235,881
Investments	3,001,707
	$ 59,237,588
Cash on hand	$ 200
Deposits with financial institution	2,776,954
Investments	56,460,434
Total cash and investments	$ 59,237,588

The table below identifies the investment types that are authorized for MCDC by the Public Funds Investment Act (Government Code Chapter 2256). The table also identifies certain provisions of MCDC's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MCDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MCDC is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

According to the City's investment policy MCDC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MCDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2015, MCDC had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
TexPool	$ 10,634,283	40
TexPool Prime	6,509,180	32
LOGIC	26,258,879	3
TexasDaily	8,016,395	37
Texas CLASS	2,039,990	53
Federal agency securities	3,001,707	943
	$ 56,460,434	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy. The City's weighted average maturity on investment pools is one (1) day.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of September 30, 2015, MCDC investments include $3,001,707 of federal agency securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated above). The nature of the additional risk is due to step-up features on specified dates related to the investments as well as the fact that the issuer can call the issued prior to step up date. The range of the step up is between 0.55% and 2.25%.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MCDC's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
TexPool	$ 10,634,283	AAA/AAA-m	AAAm
TexPool Prime	6,509,180	AAA/AAA-m	AAAm
LOGIC	26,258,879	AAA/AAA-m	AAAm
TexasDaily	8,016,395	AAA/AAA-m	AAAm
Texas CLASS	2,039,990	AAA	AAAm
Federal agency securities	3,001,707	AAA	AAA
	$ 56,460,434		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the MCDC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2015, MCDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Receivables

At September 30, 2015, accounts receivable include $1,948,586 representing sales tax owed to MCDC and accrued interest of $12,500. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2015.

C. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 4,970,062	$ -	$ -	$ -	$ 4,970,062
Construction in progress	-	2,318,116	-		2,318,116
Total capital assets, not being depreciated	4,970,062	2,318,116	-	-	7,288,178
Capital assets being depreciated:					
Infrastructure	2,823,107	-	-	-	2,823,107
Total capital assets being depreciated	2,823,107	-	-	-	2,823,107
Less: accumulated depreciation for:					
Infrastructure	(401,618)	(141,884)	-	-	(543,502)
Total accumulated depreciation	(401,618)	(141,884)	-	-	(543,502)
Total capital assets, being depreciated, net	2,421,489	(141,884)	-	-	2,279,605
Capital assets, net	$ 7,391,551	$ 2,176,232	$ -	$ -	$ 9,567,783

Capital Improvement Program Commitments:

MCDC has an outstanding commitment for the construction of the McKinney Aquatic and Fitness Center. This project is being financed by Sales Tax Revenue Bonds. At completion of the project, MCDC will donate the Center to the City. The commitment for construction in progress as of September 30, 2015 is:

Project Budget Appropriation	Spent-to-date	Remaining Commitment
$ 31,544,473	$ 2,318,116	$ 29,226,357

D. Long-Term Debt

	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Sales tax revenue bonds	$ -	$ 24,270,000	$ -	$ 24,270,000	$ 955,000
Net pension liability	91,244		(1,332)	89,912	
Component unit activities:					
Long-term debt	$ 91,244	$ 24,270,000	$ (1,332)	$ 24,359,912	$ 955,000

Bonds Payable consisted of the following as of September 30, 2015:

	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
Bonds payable:				
Sales Tax Revenue Bonds 2015, Taxable	2/25/2015	.75 - 4.12%	8/15/2035	$ 24,270,000

Debt service requirements of the notes payable applicable to the Sales Tax Revenue 2015, Taxable bonds for the years subsequent to September 30, 2015, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2016	$ 955,000	$ 764,078	$ 1,719,078
2017	960,000	756,916	1,716,916
2018	975,000	745,876	1,720,876
2019	990,000	730,792	1,720,792
2020	1,010,000	711,230	1,721,230
2021 - 2025	5,430,000	3,166,478	8,596,478
2026 - 2030	6,320,000	2,271,141	8,591,141
2031 - 2035	7,630,000	968,905	8,598,905
	$ 24,270,000	$ 10,115,416	$ 34,385,416

In February 2015, the MCDC issued $24,270,000 of Series 2015, Taxable Revenue bonds. The debt was issued to assist in the construction of the Aquatics and Fitness Center. The obligations are payable over the next 30 years.

(13) MCKINNEY MAIN STREET

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, McKinney Main Street (MMS) is a discretely presented component unit on the combined financial statements. The purpose of MMS is to promote McKinney's vibrant downtown area. MMS financial services are decentralized from the City.

A. Deposits and Investments

Cash and investments as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

Statement of financial position	
Cash and cash equivalents	$ 649,652
Deposits with financial institution	$ 649,652

The table below identifies the investment types that are authorized for MMS by the Public Funds Investment Act (Government code Chapter 2256). The table also identifies certain provisions of MMS's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MMS to have independent auditors perform test procedures related to investment practices as provided by the Act. The MMS is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MMS manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MMS monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2015, MMS had no investments.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MMS's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MMS's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2015, MMS deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Receivables

At September 30, 2015, accounts receivable include $20,609 for services provided. Receivables as of year-end for MMS were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2015.

(14) MCKINNEY CONVENTION & VISITORS BUREAU

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, the McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit on the combined financial statements. The purpose of the MCVB is to promote tourism and make McKinney a destination of choice. Under a contract with the MCVB, the City performs financial services for the MCVB.

A. Deposits and Investments

Cash and investments as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

Statement of financial position	
Cash and cash equivalents	$ 191,748
Deposits with financial institution	$ 191,748

The table below identifies the investment types that are authorized for MCVB by the Public Funds Investment Act (Government code Chapter 2256). The table also identifies certain provisions of MCVB's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MCVB to have independent auditors perform test procedures related to investment practices as provided by the Act. The MCVB is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MCVB manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MCVB monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2015, MCVB had $0 investments.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MCVB's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2015, MCVB deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Long-Term Debt

	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	$ 93,196	$ -	$ (989)	$ 92,207	$ -

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST FISCAL YEAR
(UNAUDITED)

	2014
Total pension liability:	
Service cost	$ 9,534,719
Interest	13,426,027
Changes of benefit terms	-
Difference between expected and actual experience	(1,820,025)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	(4,612,787)
Net change in total pension liability	16,527,934
Total pension liability - beginning	189,339,391
Total pension liability - ending (a)	205,867,325
Plan fiduciary net position:	
Contributions - employer	8,510,170
Contributions - employee	3,855,271
Net investment income	9,074,467
Benefit payments, including refunds of employee contributions	(4,612,787)
Administrative expense	(94,724)
Other	(7,788)
Net change in plan fiduciary net position	16,724,609
Plan fiduciary net position - beginning	158,597,927
Plan fiduciary net position - ending (b)	175,322,536
City's net pension liability - ending (a) - (b)	$ 30,544,789
Plan fiduciary net position as a percentage of total pension liability	85.16%
Covered employee payroll	$ 54,810,138
City's net pension liability as a percentage of covered employee payroll	55.73%

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST FISCAL YEAR
(UNAUDITED)

	Fiscal Year 2015
Actuarially determined contribution	$ 9,195,319
Contribution in relation of the actuarially determined contribution	9,195,319
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 54,810,138
Contributions as a percentage of covered employee payroll	16.78%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Removed statutory max.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MCKINNEY EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS PLAN
ANALYSIS OF FUNDING PROGRESS
(UNAUDITED)

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio as a Percentage	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$ -	$ 1,186,584	$ 1,186,584	0.0%	$ 42,109,757	2.8%
2009	-	1,186,584	1,186,584	0.0%	47,208,569	2.5%
2010	-	1,186,584	1,186,584	0.0%	48,030,872	2.5%
2011	-	3,102,107	3,102,107	0.0%	48,533,150	6.4%
2012	-	3,102,107	3,102,107	0.0%	47,490,271	6.5%
2013	-	3,284,588	3,284,588	0.0%	47,463,682	6.9%
2014	-	3,284,588	3,284,588	0.0%	50,864,494	6.5%
2015	-	3,559,916	3,559,916	0.0%	54,810,088	6.5%

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive(Negative)
REVENUES				
Property tax	$ 22,502,020	$ 22,502,020	$ 22,824,488	$ 322,468
Charges for services	588,000	588,000	588,000	-
Investment income	11,938	19,000	16,185	(2,815)
Total revenues	23,101,958	23,109,020	23,428,673	319,653
EXPENDITURES				
Principal retirement	13,730,000	13,485,000	13,485,000	-
Interest and fiscal charges	8,782,020	9,026,252	9,024,315	(1,937)
Total expenditures	22,512,020	22,511,252	22,509,315	(1,937)
Excess (deficiency) of revenues over (under) expenditures	589,938	597,768	919,358	321,590
Net change in fund balance	589,938	597,768	919,358	321,590
Fund balance, beginning of year	2,917,011	2,917,011	2,917,011	-
Fund balance, end of year	$ 3,506,949	$ 3,514,779	$ 3,836,369	$ 321,590

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 9,128,876	$ 20,017,231	$ 1,719,700	$ (18,297,531)
Investment income	112,917	61,516	86,659	25,143
Contributions	3,500,000	3,920,105	3,982,977	62,872
Total revenues	12,741,793	23,998,852	5,789,336	(18,209,516)
EXPENDITURES				
Public works	31,478,550	83,834,124	7,447,104	76,387,020
Total expenditures	31,478,550	83,834,124	7,447,104	76,387,020
Excess (deficiency) of revenues over expenditures	(18,736,757)	(59,835,272)	(1,657,768)	58,177,504
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	13,291,124	35,904,080	31,383,461	(4,520,619)
Premium on long-term debt	-	291,547	4,812,166	4,520,619
Issuance cost of long-term debt	(23,924)	(291,547)	(281,694)	9,853
Total other financing sources (uses)	13,267,200	35,904,080	35,913,933	9,853
Net change in fund balances	(5,469,557)	(23,931,192)	34,256,165	58,187,357
Fund balance, beginning of year	30,631,205	30,631,205	30,631,205	-
Fund balance, end of year	$ 25,161,648	$ 6,700,013	$ 64,887,370	$ 58,187,357

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

HOTEL/MOTEL FUND – to account for a 7% hotel/motel tax imposed on lodging fees for the purpose of funding activities and programs that are allowed by the hotel/motel tax to promote tourism.

LAW ENFORCEMENT FUND – to account for donations and funds derived from police investigation of criminal activities.

FIRE DONATIONS FUND – to account for funds provided by private donors to assist in the purchase of fire department equipment and related expenses.

LIBRARY GIFT FUND – to account for county contributions and funds provided by private donors for the purpose of supporting library operations.

COMMUNITY HOUSING FUND – to account for grants and funding received for affordable housing programs.

GRANTS FUND – to account for local, state, federal, and private grants received for governmental operations and projects.

VETERANS MEMORIAL FUND – to account for funds provided by private donors for the purpose of maintaining facilities and supporting special events at the Veterans Memorial Park.

TAX INCREMENT REINVESTMENT ZONE 1 (TIRZ 1) – to account for property and sales taxes collected in the TIRZ 1 zone for the purpose of funding infrastructure and projects in the Historic Town Center.

TAX INCREMENT REINVESTMENT ZONE 2 (TIRZ 2) – to account for property and sales taxes collected in the TIRZ 2 zone for the purpose of funding infrastructure to the Airport.

PEG CABLE CHANNEL FUND – to account for fees received from cable operators within the City for the purpose of funding expenditures relating to the PEG (Public, Educational, and Governmental) Cable Channel.

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NONMAJOR GOVERNMENTAL FUNDS – CONTINUED

CAPITAL PROJECTS FUNDS

TECHNOLOGY IMPROVEMENT FUND – to account for technology infrastructure improvements and computer hardware/software needs. Inter-fund charges through cost allocation provide revenue sources to this fund.

FACILITIES IMPROVEMENT FUND – to account for land acquisition, construction, renovation, and equipping of government facilities. Proceeds from bonds and other non- recurring revenue sources are allocated to this fund.

FIRE IMPROVEMENT FUND – to account for land acquisition, construction, renovation, and equipping of fire facilities. Proceeds from bonds and other non-recurring revenue sources are allocated to this fund.

PARK CONSTRUCTION FUND – to account for land acquisition, construction, renovation, and equipping of parks and recreation facilities. Proceeds from bonds, grants, and other non-recurring revenue sources are allocated to this fund.

LIBRARY IMPROVEMENT FUND – to account for land acquisition, construction, renovation, and equipping of library facilities. Proceeds from bonds and other non-recurring revenue sources are allocated to this fund.

STORMWATER CONSTRUCTION FUND – to account for the construction of drainage related improvements. Proceeds from bonds, grants, and other non-recurring revenue sources are allocated to this fund.

CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds							
	Hotel/Motel	Law Enforcement	Fire Donations	Library Gift	Community Housing	Grants	Veterans Memorial	TIRZ 1
ASSETS								
Cash and cash equivalents	$ 995,356	$ 614,831	$ 42,963	$ 227,058	$ 82,327	$ 262,510	$ 13,876	$ 3,465,172
Receivables:								
Accounts	64,731	-	-	-	-	-	-	-
Other taxes and fees	253,849	-	-	-	-	-	-	46,773
Due from other governments	-	-	-	-	232,347	21,364	-	-
Prepaid items	-	3,250	-	4,000	1,502	-	-	-
Total assets	$ 1,313,936	$ 618,081	$ 42,963	$ 231,058	$ 316,176	$ 283,874	$ 13,876	$ 3,511,945
LIABILITIES								
Accounts payable	$ 1,033	$ 2,102	$ -	$ 2,557	$ 25,320	$ 13,889	$ 125	$ -
Other accrued liabilities	-	53,824	-	-	42,567	-	-	-
Due to other funds	-	-	-	-	173,000	-	-	-
Total liabilities	1,033	55,926	-	2,557	240,887	13,889	125	-
FUND BALANCES								
Nonspendable:								
Prepaid items	-	3,250	-	4,000	1,502	-	-	-
Restricted:								
Capital projects	-	-	-	-	-	-	-	3,511,945
Law enforcement	-	558,905	-	-	-	-	-	-
Fire	-	-	42,963	-	-	-	-	-
PEG	-	-	-	-	-	-	-	-
Library	-	-	-	224,501	-	-	-	-
Community Housing	-	-	-	-	73,787	-	-	-
Veterans Memorial Park	-	-	-	-	-	-	13,751	-
Hotel/Motel	1,312,903	-	-	-	-	-	-	-
Grants	-	-	-	-	-	269,985	-	-
Total fund balances	1,312,903	562,155	42,963	228,501	75,289	269,985	13,751	3,511,945
Total liabilities and fund balances	$ 1,313,936	$ 618,081	$ 42,963	$ 231,058	$ 316,176	$ 283,874	$ 13,876	$ 3,511,945

Special Revenue Funds		Capital Projects Funds						
TIRZ 2	PEG Cable Channel	Technology Improvement	Facilities Improvement	Fire Improvement	Park Construction	Library Improvement	Stormwater Construction	Total Nonmajor Governmental Funds
$ 1,601,378	$ 1,385,070	$ 8,488,663	$ 20,263,682	$ 8,530,442	$ 21,073,817	$ 312,225	$ 2,325,995	$ 69,685,365
-	-	-	-	-	-	-	-	64,731
12,003	108,325	-	-	-	-	-	-	420,950
-	-	-	-	-	-	-	632,395	886,106
-	-	39,112	-	-	-	-	-	47,864
$ 1,613,381	$ 1,493,395	$ 8,527,775	$ 20,263,682	$ 8,530,442	$ 21,073,817	$ 312,225	$ 2,958,390	$ 71,105,016
$ -	$ -	$ 322,492	$ 84,149	$ -	$ 544,072	$ -	$ 549,297	$ 1,545,036
-	-	-	5,118	-	88,649	-	141,317	331,475
-	-	-	-	-	-	-	-	173,000
-	-	322,492	89,267	-	632,721	-	690,614	2,049,511
-	-	39,112	-	-	-	-	-	47,864
1,613,381	-	8,166,171	20,174,415	8,530,442	20,441,096	312,225	2,267,776	65,017,451
-	-	-	-	-	-	-	-	558,905
-	-	-	-	-	-	-	-	42,963
-	1,493,395	-	-	-	-	-	-	1,493,395
-	-	-	-	-	-	-	-	224,501
-	-	-	-	-	-	-	-	73,787
-	-	-	-	-	-	-	-	13,751
-	-	-	-	-	-	-	-	1,312,903
-	-	-	-	-	-	-	-	269,985
1,613,381	1,493,395	8,205,283	20,174,415	8,530,442	20,441,096	312,225	2,267,776	69,055,505
$ 1,613,381	$ 1,493,395	$ 8,527,775	$ 20,263,682	$ 8,530,442	$ 21,073,817	$ 312,225	$ 2,958,390	$ 71,105,016

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds							
	Hotel/Motel	Law Enforcement	Fire Donations	Library Gift	Community Housing	Grants	Veterans Memorial	TIRZ 1
REVENUES								
Property tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 45,372
Sales and use taxes	1,040,721	-	-	-	-	-	-	1,285,133
Other taxes and fees	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	783,516	265,052	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	108,736	-	-	-	-	-	-
Investment income	5,114	147	51	300	96	-	15	2,720
Contributions	-	15,181	14,126	31,990	-	-	3,000	-
Miscellaneous	56,239	4,705	-	3,542	19,399	-	-	-
Total revenues	1,102,074	128,769	14,177	35,832	803,011	265,052	3,015	1,333,225
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	25,000
Police	-	43,873	-	-	-	22,251	-	-
Fire	-	-	11,781	-	-	-	-	-
Libraries	-	-	-	47,261	-	-	-	-
Development	433,857	-	-	-	814,498	166,667	-	-
Parks and recreation	-	-	-	-	-	-	4,676	-
Capital expenditures:								
General government	-	-	-	-	-	-	-	-
Police	-	380,947	-	-	-	12,883	-	-
Fire	-	-	-	-	-	130,788	-	-
Libraries	-	-	-	12,700	-	11,542	-	-
Development	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Total expenditures	433,857	424,820	11,781	59,961	814,498	344,131	4,676	25,000
Excess (deficiency) of revenues over expenditures	668,217	(296,051)	2,396	(24,129)	(11,487)	(79,079)	(1,661)	1,308,225
OTHER FINANCING SOURCES (USES)								
Issuance of long-term debt	-	-	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-	-	-	-
Issuance cost of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(135,000)	-	-	-	-	-	-	(10,500)
Total other financing sources (uses)	(135,000)	-	-	-	-	-	-	(10,500)
Net Change in Fund Balance	533,217	(296,051)	2,396	(24,129)	(11,487)	(79,079)	(1,661)	1,297,725
Fund Balance, Beginning of Year	779,686	858,206	40,567	252,630	86,776	349,064	15,412	2,214,220
Fund Balance, End of Year	$ 1,312,903	$ 562,155	$ 42,963	$ 228,501	$ 75,289	$ 269,985	$ 13,751	$ 3,511,945

Special Revenue Funds		Capital Projects Funds						
TIRZ 2	PEG Cable Channel	Technology Improvement	Facilities Improvement	Fire Improvement	Park Construction	Library Improvement	Stormwater Construction	Total Nonmajor Funds
$ 7,292	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 52,664
298,108	-	-	-	-	-	-	-	2,623,962
-	434,494	-	-	-	-	-	-	434,494
-	-	-	-	-	-	-	2,027,791	3,076,359
-	-	1,534,510	-	-	-	-	-	1,534,510
-	-	-	-	-	-	-	-	108,736
1,546	136	5,298	14,628	4,386	19,117	375	2,504	56,433
-	-	-	3,949,909	-	5,089,019	-	327,000	9,430,225
-	-	-	-	-	-	-	-	83,885
306,946	434,630	1,539,808	3,964,537	4,386	5,108,136	375	2,357,295	17,401,268
-	-	1,249,012	187,988	-	-	-	-	1,462,000
-	-	-	-	-	-	-	-	66,124
-	-	-	-	1,500	-	-	-	13,281
-	-	-	-	-	-	-	-	47,261
-	-	-	-	-	-	-	-	1,415,022
-	-	-	-	-	2,889	-	-	7,565
-	-	716,629	168,014	-	-	-	-	884,643
-	-	-	-	-	-	-	-	393,830
-	-	-	-	4,500	-	-	-	135,288
-	-	-	-	-	-	-	-	24,242
-	-	-	6,941,348	-	-	-	-	6,941,348
-	-	-	-	-	4,075,183	-	-	4,075,183
-	-	-	-	-	-	-	2,838,464	2,838,464
-	-	1,965,641	7,297,350	6,000	4,078,072	-	2,838,464	18,304,251
306,946	434,630	(425,833)	(3,332,813)	(1,614)	1,030,064	375	(481,169)	(902,983)
-	-	-	8,806,405	5,525,134	-	-	-	14,331,539
-	-	-	1,350,325	847,193	-	-	-	2,197,518
-	-	-	(79,097)	(49,614)	-	-	-	(128,711)
-	1,058,765	240,000	-	-	-	-	-	1,298,765
(4,500)	-	-	-	-	-	-	-	(150,000)
(4,500)	1,058,765	240,000	10,077,633	6,322,713	-	-	-	17,549,111
302,446	1,493,395	(185,833)	6,744,820	6,321,099	1,030,064	375	(481,169)	16,646,128
1,310,935	-	8,391,116	13,429,595	2,209,343	19,411,032	311,850	2,748,945	52,409,377
$ 1,613,381	$ 1,493,395	$ 8,205,283	$ 20,174,415	$ 8,530,442	$ 20,441,096	$ 312,225	$ 2,267,776	$ 69,055,505

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
HOTEL/MOTEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Sales and use taxes	$ 700,000	$ 850,000	$ 1,040,721	$ 190,721
Investment income	513	3,700	5,114	1,414
Miscellaneous	400	400	56,239	55,839
Total revenues	700,913	854,100	1,102,074	247,974
EXPENDITURES				
Development	355,000	464,575	433,857	30,718
Total expenditures	355,000	464,575	433,857	30,718
Excess (deficiency) of revenues over expenditures	345,913	389,525	668,217	278,692
OTHER FINANCING SOURCES (USES)				
Transfers out	(135,000)	(135,000)	(135,000)	-
Total other financing sources (uses)	(135,000)	(135,000)	(135,000)	-
Net Change in Fund Balance	210,913	254,525	533,217	278,692
Fund Balance, Beginning of Year	779,686	779,686	779,686	-
Fund Balance, End of Year	$ 990,599	$ 1,034,211	$ 1,312,903	$ 278,692

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
LAW ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	$ 325,000	$ 325,000	$ 108,736	$ (216,264)
Investment income	80	120	147	27
Contributions	16,000	16,000	15,181	(819)
Miscellaneous	-	-	4,705	4,705
Total revenues	341,080	341,120	128,769	(212,351)
EXPENDITURES				
Police	340,517	760,517	424,820	335,697
Total expenditures	340,517	760,517	424,820	335,697
Excess (deficiency) of revenues over expenditures	563	(419,397)	(296,051)	123,346
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	-	(5,000)
Transfers out	(420,000)	-	-	-
Total other financing sources (uses)	(415,000)	5,000	-	(5,000)
Net Change in Fund Balance	(414,437)	(414,397)	(296,051)	118,346
Fund Balance, Beginning of Year	858,206	858,206	858,206	-
Fund Balance, End of Year	$ 443,769	$ 443,809	$ 562,155	$ 118,346

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
FIRE DEPARTMENT DONATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 50	$ 50	$ 51	$ 1
Contributions	7,500	9,000	14,126	5,126
Total revenues	7,550	9,050	14,177	5,127
EXPENDITURES				
General government	14,500	14,500	11,781	2,719
Total expenditures	14,500	14,500	11,781	2,719
Excess (deficiency) of revenues over expenditures	(6,950)	(5,450)	2,396	7,846
Net Change in Fund Balance	(6,950)	(5,450)	2,396	7,846
Fund Balance, Beginning of Year	40,567	40,567	40,567	-
Fund Balance, End of Year	$ 33,617	$ 35,117	$ 42,963	$ 7,846

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
LIBRARY GIFT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 290	$ 290	$ 300	$ 10
Contributions	40,500	40,500	31,990	(8,510)
Miscellaneous	-	4,000	3,542	(458)
Total revenues	40,790	44,790	35,832	(8,958)
EXPENDITURES				
Libraries	96,000	96,000	59,961	36,039
Total expenditures	96,000	96,000	59,961	36,039
Excess (deficiency) of revenues over expenditures	(55,210)	(51,210)	(24,129)	27,081
Net Change in Fund Balance	(55,210)	(51,210)	(24,129)	27,081
Fund Balance, Beginning of Year	252,630	252,630	252,630	-
Fund Balance, End of Year	$ 197,420	$ 201,420	$ 228,501	$ 27,081

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
COMMUNITY HOUSING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 1,392,347	$ 1,392,347	$ 783,516	$ (608,831)
Investment income	146	120	96	(24)
Miscellaneous	5,000	5,000	19,399	14,399
Total revenues	1,397,493	1,397,467	803,011	(594,456)
EXPENDITURES				
Development	1,397,493	1,434,515	814,498	620,017
Total expenditures	1,397,493	1,434,515	814,498	620,017
Excess (deficiency) of revenues over expenditures	-	(37,048)	(11,487)	25,561
Net Change in Fund Balance	-	(37,048)	(11,487)	25,561
Fund Balance, Beginning of Year	86,776	86,776	86,776	-
Fund Balance, End of Year	$ 86,776	$ 49,728	$ 75,289	$ 25,561

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 739,157	$ 501,695	$ 265,052	$ (236,643)
Total revenues	739,157	501,695	265,052	(236,643)
EXPENDITURES				
General government	100,000	-	-	-
Police	261,966	83,661	35,134	48,527
Development	166,666	416,666	166,667	249,999
Fire	343,858	134,701	130,788	3,913
Libraries	-	-	11,542	(11,542)
Total expenditures	872,490	635,028	344,131	290,897
Excess (deficiency) of revenues over expenditures	(133,333)	(133,333)	(79,079)	54,254
OTHER FINANCING SOURCES				
Transfers in	58,118	-	-	-
Total other financing sources	58,118	-	-	-
Net Change in Fund Balance	(75,215)	(133,333)	(79,079)	54,254
Fund Balance, Beginning of Year	349,064	349,064	349,064	-
Fund Balance, End of Year	$ 273,849	$ 215,731	$ 269,985	$ 54,254

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
VETERANS MEMORIAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 16	$ 16	$ 15	$ (1)
Contributions	5,000	5,000	3,000	(2,000)
Total revenues	5,016	5,016	3,015	(2,001)
EXPENDITURES				
Parks and recreation	5,000	5,000	4,676	324
Total expenditures	5,000	5,000	4,676	324
Excess (deficiency) of revenues over expenditures	16	16	(1,661)	(1,677)
Net Change in Fund Balance	16	16	(1,661)	(1,677)
Fund Balance, Beginning of Year	15,412	15,412	15,412	-
Fund Balance, End of Year	$ 15,428	$ 15,428	$ 13,751	$ (1,677)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TIRZ 1 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 302,766	$ 302,766	$ 45,372	$ (257,394)
Sales and use taxes	518,337	518,337	1,285,133	766,796
Investment income	1,392	2,500	2,720	220
Total revenues	822,495	823,603	1,333,225	509,622
EXPENDITURES				
General government	-	300,000	25,000	275,000
Total expenditures	-	300,000	25,000	275,000
Excess (deficiency) of revenues over expenditures	822,495	523,603	1,308,225	784,622
OTHER FINANCING USES				
Transfers out	(10,500)	(10,500)	(10,500)	-
Total other financing uses	(10,500)	(10,500)	(10,500)	-
Net Change in Fund Balance	811,995	513,103	1,297,725	784,622
Fund Balance, Beginning of Year	2,214,220	2,214,220	2,214,220	-
Fund Balance, End of Year	$ 3,026,215	$ 2,727,323	$ 3,511,945	$ 784,622

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TIRZ 2 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 58,669	$ 58,669	$ 7,292	$ (51,377)
Sales and use taxes	379,365	379,365	298,108	(81,257)
Investment income	1,151	1,400	1,546	146
Contributions	-	-	-	-
Total revenues	439,185	439,434	306,946	(132,488)
OTHER FINANCING USES				
Transfers out	(4,500)	(4,500)	(4,500)	-
Total other financing uses	(4,500)	(4,500)	(4,500)	-
Net Change in Fund Balance	434,685	434,934	302,446	(132,488)
Fund Balance, Beginning of Year	1,310,935	1,310,935	1,310,935	-
Fund Balance, End of Year	$ 1,745,620	$ 1,745,869	$ 1,613,381	$ (132,488)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
PEG CABLE CHANNEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Other taxes and fees	$ -	$ -	$ 434,494	$ 434,494
Investment income	-	-	136	136
Total revenues	-	-	434,630	434,630
OTHER FINANCING SOURCES				
Transfers in	-	1,500,000	1,058,765	(441,235)
Total other financing sources	-	1,500,000	1,058,765	(441,235)
Net Change in Fund Balance	-	1,500,000	1,493,395	(6,605)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ 1,500,000	$ 1,493,395	$ (6,605)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TECHNOLOGY IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Charges for services	$ 1,534,510	$ 1,534,510	$ 1,534,510	$ -
Investment income	6,565	5,000	5,298	298
Total revenues	1,541,075	1,539,510	1,539,808	298
EXPENDITURES				
General government	1,523,925	4,203,612	1,965,641	2,237,971
Total expenditures	1,523,925	4,203,612	1,965,641	2,237,971
Excess (deficiency) of revenues over expenditures	17,150	(2,664,102)	(425,833)	2,238,269
OTHER FINANCING SOURCES				
Transfers in	-	-	240,000	240,000
Total other financing sources	-	-	240,000	240,000
Net Change in Fund Balance	17,150	(2,664,102)	(185,833)	2,478,269
Fund Balance, Beginning of Year	8,391,116	8,391,116	8,391,116	-
Fund Balance, End of Year	$ 8,408,266	$ 5,727,014	$ 8,205,283	$ 2,478,269

CITY OF MCKINNEY, TEXAS
BUDGET COMPARISON SCHEDULE (GAAP BASIS)
FACILITIES IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 20,994	$ 10,503	$ 14,628	$ 4,125
Contributions	-	-	3,949,909	3,949,909
Total revenues	20,994	10,503	3,964,537	3,954,034
EXPENDITURES				
General government	174,084	182,000	356,002	(174,002)
Development	3,300,000	21,689,958	6,941,348	14,748,610
Total expenditures	3,474,084	21,871,958	7,297,350	14,574,608
Excess (deficiency) of revenues over expenditures	(3,453,090)	(21,861,455)	(3,332,813)	18,528,642
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	3,000,000	10,074,920	8,806,405	(1,268,515)
Premium on long-term debt	-	81,810	1,350,325	1,268,515
Issuance cost of long-term debt	(4,400)	(81,810)	(79,097)	2,713
Total other financing sources (uses)	2,995,600	10,074,920	10,077,633	2,713
Net Change in Fund Balance	(457,490)	(11,786,535)	6,744,820	18,531,355
Fund Balance, Beginning of Year	13,429,595	13,429,595	13,429,595	-
Fund Balance, End of Year	$ 12,972,105	$ 1,643,060	$ 20,174,415	$ 18,531,355

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
FIRE IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 1,803	$ 1,899	$ 4,386	$ 2,487
Total revenues	1,803	1,899	4,386	2,487
EXPENDITURES				
Fire	350,000	8,522,500	6,000	8,516,500
Total expenditures	350,000	8,522,500	6,000	8,516,500
Excess (deficiency) of revenues over expenditures	(348,197)	(8,520,601)	(1,614)	8,518,987
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	350,000	6,321,000	5,525,134	(795,866)
Premium on long-term debt	-	51,328	847,193	795,865
Issuance cost of long-term debt	(630)	(51,328)	(49,614)	1,714
Total other financing sources (uses)	349,370	6,321,000	6,322,713	1,713
Net Change in Fund Balance	1,173	(2,199,601)	6,321,099	8,520,700
Fund Balance, Beginning of Year	2,209,343	2,209,343	2,209,343	-
Fund Balance, End of Year	$ 2,210,516	$ 9,742	$ 8,530,442	$ 8,520,700

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
PARK CONSTRUCTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 10,232	$ 20,122	$ 19,117	$ (1,005)
Contributions	27,553,185	4,234,481	5,089,019	854,538
Total revenues	27,563,417	4,254,603	5,108,136	853,533
EXPENDITURES				
Parks and recreation	26,328,185	17,930,832	4,078,072	13,852,760
Total expenditures	26,328,185	17,930,832	4,078,072	13,852,760
Excess (deficiency) of revenues over expenditures	1,235,232	(13,676,229)	1,030,064	14,706,293
Net Change in Fund Balance	1,235,232	(13,676,229)	1,030,064	14,706,293
Fund Balance, Beginning of Year	19,411,032	19,411,032	19,411,032	-
Fund Balance, End of Year	$ 20,646,264	$ 5,734,803	$ 20,441,096	$ 14,706,293

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
LIBRARY IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 533	$ 373	$ 375	$ 2
Total revenues	533	373	375	2
Net Change in Fund Balance	533	373	375	2
Fund Balance, Beginning of Year	311,850	311,850	311,850	-
Fund Balance, End of Year	$ 312,383	$ 312,223	$ 312,225	$ 2

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
STORMWATER CONSTRUCTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ 3,666,116	$ 2,027,791	$ (1,638,325)
Investment income	2,386	2,587	2,504	(83)
Contributions	-	327,000	327,000	-
Total revenues	2,386	3,995,703	2,357,295	(1,638,408)
EXPENDITURES				
Public works	-	5,034,113	2,838,464	2,195,649
Total expenditures	-	5,034,113	2,838,464	2,195,649
Excess (deficiency) of revenues over expenditures	2,386	(1,038,410)	(481,169)	557,241
OTHER FINANCING USES				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net Change in Fund Balance	2,386	(1,038,410)	(481,169)	557,241
Fund Balance, Beginning of Year	2,748,945	2,748,945	2,748,945	-
Fund Balance, End of Year	$ 2,751,331	$ 1,710,535	$ 2,267,776	$ 557,241

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NONMAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS

GOLF COURSE FUND – to account for revenue received and operating expenses incurred in the operation of Oak Hollow Municipal Golf Course.

SURFACE WATER DRAINAGE UTILITY FUND – to account for revenue paid by utility customers and allowable expenses under the Surface Drainage Utility System Ordinance.

SOLID WASTE FUND – to account for revenues and operating costs of providing solid waste and recycling services.

INSURANCE RISK AND MANAGEMENT FUND – to account for costs associated with workers' compensation, property and liability insurance and with health and dental benefits of employees, retirees, and covered dependents.

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 149,565	$ 2,439,669	$ 7,365,820	$ 9,955,054
Investments	-	-	1,940,867	1,940,867
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accounts receivable (net of allowance for uncollectibles)	46,956	432,189	1,535,854	2,014,999
Accrued interest	-	-	5,169	5,169
Notes receivable - interfund	-	-	829,371	829,371
Notes receivable - component unit	-	-	3,215,841	3,215,841
Total current assets	206,521	2,871,858	14,892,922	17,971,301
NONCURRENT ASSETS				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,499,162	-	164,402	1,663,564
Improvements other than buildings	2,522,526	-	663,019	3,185,545
Machinery and equipment	384,446	611,127	427,741	1,423,314
Less accumulated depreciation	(2,719,358)	(523,289)	(936,967)	(4,179,614)
Net capital assets	2,088,989	87,838	482,491	2,659,318
Total Assets	2,295,510	2,959,696	15,375,413	20,630,619
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	-	87,891	76,667	164,558
Deferred investment loss	-	20,259	17,672	37,931
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	108,150	94,339	202,489
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	20,056	56,545	53,551	130,152
Other accrued liabilities	-	26,941	719,414	746,355
Due to other funds	-	-	42,051	42,051
Notes payable	48,786	-	-	48,786
Compensated absences	-	6,128	8,161	14,289
Total current liabilities	68,842	89,614	823,177	981,633
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total current liabilities payable from restricted assets	10,000	-	-	10,000
NONCURRENT LIABILITIES				
Net pension liability	-	355,950	348,111	704,061
Compensated absences	-	61,959	82,515	144,474
Notes payable	780,585	-	-	780,585
Total noncurrent liabilities	780,585	417,909	430,626	1,629,120
Total liabilities	859,427	507,523	1,253,803	2,620,753
DEFERRED INFLOWS OF RESOURCES				
Deferred pension experience gains	-	19,594	17,092	36,686
Net Position				
Net investment in capital assets	2,088,989	87,838	482,491	2,659,318
Unrestricted	(652,906)	2,452,891	13,716,366	15,516,351
Total net position	$ 1,436,083	$ 2,540,729	$ 14,198,857	$ 18,175,669

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for services	$ 25,378	$ 2,701,864	$ 7,520,737	$ 10,247,979
Miscellaneous	63,512	-	78,090	141,602
Total operating revenues	88,890	2,701,864	7,598,827	10,389,581
Operating Expenses				
Personnel services	-	1,090,467	919,505	2,009,972
Materials and supplies	-	40,151	37,714	77,865
Maintenance	15,000	123,415	20,206	158,621
Contract payments	-	481,292	5,776,414	6,257,706
Utilities	97	1,166	3,092	4,355
Depreciation	168,213	23,656	39,051	230,920
Other	15,353	150,891	64,921	231,165
Total operating expenses	198,663	1,911,038	6,860,903	8,970,604
Operating income (loss)	(109,773)	790,826	737,924	1,418,977
Nonoperating Revenues (Expenses)				
Investment income	161	2,727	68,089	70,977
Gain (loss) on disposal of assets	3,053	4,856	3,408	11,317
Total non-operating revenues	3,214	7,583	71,497	82,294
Income (loss) before contributions and transfers	(106,559)	798,409	809,421	1,501,271
Capital Contributions and Transfers				
Contributions	-	5,230	23,830	29,060
Transfers in	-	-	57,625	57,625
Transfers out	(5,000)	(210,746)	(414,562)	(630,308)
Change In Net Position	(111,559)	592,893	476,314	957,648
Net Position, as previously reported	1,547,642	2,226,910	14,003,596	17,778,148
Cumulative effect adjustment	-	(279,074)	(281,053)	(560,127)
Net Position, Beginning Of Year	1,547,642	1,947,836	13,722,543	17,218,021
Net Position, End Of Year	$ 1,436,083	$ 2,540,729	$ 14,198,857	$ 18,175,669

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING ACTIVITIES				
Cash received from customers	$ 21,792	$ 2,513,749	$ 8,299,693	$ 10,835,234
Other operating revenues	63,512	-	78,090	141,602
Cash payments for employee services	-	(1,092,663)	(923,581)	(2,016,244)
Cash payments to suppliers for goods and services	(16,592)	(801,987)	(5,890,783)	(6,709,362)
Net cash provided by operating activities	68,712	619,099	1,563,419	2,251,230
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	57,625	57,625
Transfers out	(5,000)	(210,746)	(414,562)	(630,308)
Net cash used in non-capital financing activities	(5,000)	(210,746)	(356,937)	(572,683)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Gain on disposal of assets	-	4,856	6,383	11,239
Principal payments on loans	(47,947)	-	-	(47,947)
Payments from loan to component units	3,053	-	784,159	787,212
Proceeds from advances	-	-	47,947	47,947
Net cash provided by (used in) capital and related financing activities	(44,894)	4,856	838,489	798,451
INVESTING ACTIVITIES				
Purchase of investment securities	-	-	(1,393,494)	(1,393,494)
Investment earnings	161	2,727	64,908	67,796
Net cash provided by (used in) investing activities	161	2,727	(1,328,586)	(1,325,698)
Net Increase in Cash and Cash Equivalents	18,979	415,936	716,385	1,151,300
Cash and Cash Equivalents, Beginning of Year	140,586	2,023,733	6,649,435	8,813,754
Cash and Cash Equivalents, End of Year	$ 159,565	$ 2,439,669	$ 7,365,820	$ 9,965,054
RECONCILITATION TO THE COMBINING STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 149,565	$ 2,439,669	$ 7,365,820	$ 9,955,054
Restricted cash and cash equivalents	10,000	-	-	10,000
	$ 159,565	$ 2,439,669	$ 7,365,820	$ 9,965,054
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (109,773)	$ 790,826	$ 737,924	$ 1,418,977
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	168,213	23,656	39,051	230,920
Changes in pension expense	-	(11,680)	(10,189)	(21,869)
Provision for uncollectibles	-	3,160	14,707	17,867
Change in assets and liabilities				
(Increases) decreases in assets:				
Accounts receivable	(3,586)	(191,275)	764,249	569,388
Prepaid expenses	-	-	-	-
Increases (decreases) in liabilities:				
Accounts payable	13,858	(1,921)	(18,509)	(6,572)
Accrued liabilities	-	(3,151)	30,073	26,922
Due to other funds	-	-	1,682	1,682
Liability for accrued vacation	-	9,484	4,431	13,915
Total adjustments	178,485	(171,727)	825,495	832,253
Net cash provided by operating activities	$ 68,712	$ 619,099	$ 1,563,419	$ 2,251,230

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2015

	Governmental Activities
	Internal Service Funds
ASSETS	
Cash and cash equivalents	$ 9,393,264
Accounts receivable (net of allowance for uncollectibles)	139,541
Total assets	9,532,805
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions	8,070
Deferred investment loss	1,860
Total deferred outflows of resources	9,930
LIABILITIES	
Accounts payable	1,002,431
Noncurrent liabilities	
Net pension liability	36,399
Total liabilities	1,038,830
DEFERRED INFLOWS OF RESOURCES	
Deferred pension experience gains	1,799
NET POSITION	
Unrestricted	8,502,106
Total net position	$ 8,502,106

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	$ 17,040,950
Total operating revenues	17,040,950
OPERATING EXPENSES	
Personnel services	94,987
Other	14,655,575
Total operating expenses	14,750,562
Operating income	2,290,388
NONOPERATING REVENUES (EXPENSES)	
Investment Income	10,371
Total non-operating revenues	10,371
Change in Net Position	2,300,759
Net Position, as previously reported	6,230,687
Cumulative effect adjustment	(29,340)
Net Position, Beginning of Year	6,201,347
Net Position, End of Year	$ 8,502,106

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	$ 17,157,617
Cash payments for employee services	(96,059)
Cash payments for other operating expenses	(14,731,431)
Net cash provided by operating activities	2,330,127
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	10,371
Net cash provided by investing activities	10,371
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,340,498
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,052,766
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,393,264
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 2,290,388
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in pension expense	(1,073)
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	116,667
Increase (decrease) in liabilities:	
Accounts payable	(75,855)
Total adjustments	39,739
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,330,127

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FIDUCIARY FUNDS

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CITY OF MCKINNEY, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

BB Owen Park **ASSETS**	**Balance September 30, 2014**	**ADDITIONS**	**DEDUCTIONS**	**Balance September 30, 2015**
Cash and cash equivalents	$ 10,913,741	$ 11,787	$ (702,176)	$ 10,223,352
Total assets	$ 10,913,741	$ 11,787	$ (702,176)	$ 10,223,352
LIABILITIES				
Developer escrows	$ 10,913,741	$ 11,787	$ (702,176)	$ 10,223,352
Total liabilities	$ 10,913,741	$ 11,787	$ (702,176)	$ 10,223,352

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DISCRETELY PRESENTED COMPONENT UNITS

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION – purpose is to aid, promote and further the economic development within the City.

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION – purpose is to identify and fund public projects to maintain or enhance the quality of life in the city.

MCKINNEY CONVENTION & VISITORS BUREAU – to account for funds received from the City's local hotel/motel tax fund for the purpose of promoting tourism and making the City of McKinney a destination of choice.

MCKINNEY MAIN STREET – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.

CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015

	McKinney Economic Development Corporation
ASSETS	
Cash and cash equivalents	$ 23,453,150
Restricted cash and cash equivalents	1,592,827
Accounts receivable	1,953,698
Prepaid items	16,178
Total assets	27,015,853
LIABILITIES	
Accounts payable	31,435
Other accrued liabilities	19,391
Total liabilities	50,826
FUND BALANCES	
Nonspendable	16,178
Restricted	
Debt service	1,795
Debt service reserve balance	1,591,032
Unassigned	25,356,022
Total fund balance	26,965,027
Total liabilities and fund balance	$ 27,015,853

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance – MEDC balance sheet	$ 26,965,027
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	15,047,556
Compensated absences are not reported in the funds.	(38,359)
Deferred outflows related to pension contributions and investment losses are not reported in the funds.	88,004
Deferred inflows related to differences in pension experience are not reported in the funds.	(15,944)
Net pension liabilities are not reported in the funds.	(285,026)
Bonds payable and notes payable are not reported in the funds.	(15,935,841)
Accrued interest is not reported in the funds.	(47,925)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 25,777,492

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	$ 10,818,246
Investment income	21,495
Contributions	262,733
Total revenues	11,102,474
EXPENDITURES	
Economic development	3,005,534
Interest and fiscal charges	638,677
Principal payments	1,759,159
Total expenditures	5,403,370
Excess (deficiency) of revenues over expenditures	5,699,104
OTHER FINANCING SOURCES	
Sale of property	1,410,067
Total other financing sources	1,410,067
Excess (deficiency) of revenues and other sources over expenditures	7,109,171
Fund balance, beginning of year	19,855,856
Fund balance, end of year	$ 26,965,027

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – governmental funds	$	7,109,171
Governmental funds do not report depreciation since it does not require the use of current financial resources.		(13,967)
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.		217,859
Proceeds from sale of properties are reported gross in the fund financial statements, but are reported net of historic cost in the government-wide financial statements.		(182,726)
Bond principal and note payable payments are not reported in the Statement of Activities.		1,759,159
Interest is accrued on outstanding debt in the government-wide financial statements, but reported when due in the funds.		3,435
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		9,505
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		19,143
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	8,921,579

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	$ 56,235,881
Investments	3,001,707
Accounts receivable	3,670,551
Accrued interest receivable	12,500
Prepaid items	8,602
Total assets	62,929,241
LIABILITIES	
Accounts payable	1,491,819
Other accrued liabilities	71,091
Total liabilities	1,562,910
FUND BALANCE	
Nonspendable	
Prepaid items	8,602
Unrestricted	61,357,729
Total fund balance	61,366,331
Total liabilities and fund balance	$ 62,929,241

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance – MCDC balance sheet	$ 61,366,331
Bonds payable are not reported in the funds.	(24,270,000)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(25,851)
Deferred outflows related to pension contributions and investment losses are not reported in the funds.	24,644
Deferred inflows related to differences in pension experience are not reported in the funds.	(4,465)
Net pension liabilities are not reported in the funds.	(89,912)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	9,567,783
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 46,568,530

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	$ 10,818,246
Miscellaneous income	11
Investment income	86,936
Total revenues	10,905,193
EXPENDITURES	
Community development	5,480,033
Interest and fiscal charges	360,815
Total expenditures	5,840,848
Excess of revenues over expenditures	5,064,345
OTHER FINANCING SOURCES (USES)	
Issuance of long-term debt	24,270,000
Bond issuance costs	(259,188)
Total other financing sources (uses)	24,010,812
Net change in fund balance	29,075,157
Fund balance, beginning of year	32,291,174
Fund balance, end of year	$ 61,366,331

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in Fund Balances – total governmental funds	$ 29,075,157
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.	2,318,116
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(11,954)
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(141,884)
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	2,661
The issuance of long-term debt is shown as Other Sources in the governmental funds, but are in long-term debt in the government-wide financial statements.	(24,270,000)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 6,972,096

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2015

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	$ 191,748
Accounts receivable	285
Prepaid items	21,200
Total assets	213,233
LIABILITIES	
Accounts payable	28,177
Other accrued liabilities	7,455
Total liabilities	35,632
FUND BALANCE	
Nonspendable	
Prepaid items	21,200
Unrestricted	156,401
Total fund balance	$ 177,601

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance – MCVB balance sheet	$	177,601
Deferred outflows related to pension contributions and investment losses are not reported in the funds.		25,695
Deferred inflows related to differences in pension experience are not reported in the funds.		(4,655)
Net pension liabilities are not reported in the funds.		(92,207)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(48,230)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	58,204

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	$ 355,000
Investment income	340
Miscellaneous	4,003
Total revenues	359,343
EXPENDITURES	
Community development	549,355
Total expenditures	549,355
Net change in fund balance	(190,012)
Fund balance, beginning of year	367,613
Fund balance, end of year	$ 177,601

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in Fund Balances – governmental funds	$	(190,012)
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		2,775
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(7,956)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(195,193)

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY MAIN STREET
SEPTEMBER 30, 2015

	McKinney Main Street
ASSETS	
Cash and cash equivalents	$ 649,652
Accounts receivable	20,609
Prepaid items	10,697
Total assets	680,958
LIABILITIES	
Accounts payable	517,526
FUND BALANCE	
Nonspendable	
Prepaid items	10,697
Unrestricted	152,735
Total fund balance	163,432
Total liabilities and fund balance	$ 680,958

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY MAIN STREET
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	McKinney Main Street
REVENUES	
Events	$ 1,008,679
EXPENDITURES	
Community development	1,006,176
Net Change in Fund Balance	2,503
Fund Balance, Beginning of Year	160,929
Fund Balance, End of Year	$ 163,432

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STATISTICAL SECTION

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This part of the City of McKinney's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	**Table #s**
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**1-4**
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	**5-8**
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	**9-13**
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	**14-15**
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	**16-18**

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MCKINNEY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
Invested in capital assets (net of related debt)	$ 267,326,939	$ 297,203,029	$ 239,601,800	$ 285,415,013	$ 290,201,450
Restricted for:					
Use of impact fees	6,682,804	5,914,879	5,876,387	5,849,676	2,027,269
Highways and streets	-	-	40,323,951	42,770,468	33,628,327
Debt service	1,608,313	1,265,064	1,504,492	1,812,651	588,843
Other capital project	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Library	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Grants	-	-	-	62,137	22,136
Unrestricted	42,300,986	44,022,473	59,424,524	59,789,506	61,481,942
Total governmental activities net assets	$ 317,919,042	$ 348,405,445	$ 346,731,154	$ 395,699,451	$ 387,949,967
Business-type activities					
Invested in capital assets (net of related debt)	$ 162,966,613	$ 176,356,253	$ 180,859,674	$ 171,936,373	$ 206,148,786
Restricted for:					
Use of impact fees	3,853,405	1,646,162	1,760,033	2,083,128	2,537,464
Debt service	1,146,486	3,248,974	3,707,091	4,151,257	4,625,915
Unrestricted	42,372,380	46,817,740	55,657,877	89,351,500	63,541,978
Total business-type activities net assets	$ 210,338,884	$ 228,069,129	$ 241,984,675	$ 267,522,258	$ 276,854,143
Primary government					
Invested in capital assets (net of related debt)	$ 430,293,552	$ 473,559,282	$ 420,461,474	$ 457,351,386	$ 496,350,236
Restricted for:					
Use of impact fees	10,536,209	7,561,041	7,636,420	7,932,804	4,564,733
Highways and streets	-	-	40,323,951	42,770,468	33,628,327
Debt service	2,754,799	4,514,038	5,211,583	5,963,908	5,214,758
Other capital project	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Library	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Grants	-	-	-	62,137	22,136
Unrestricted	84,673,366	90,840,213	115,082,401	149,141,006	125,023,920
Total primary governmental net assets	$ 528,257,926	$ 576,474,574	$ 588,715,829	$ 663,221,709	$ 664,804,110

Fiscal Year				
2011	**2012**	**2013**	**2014**	**2015**
$ 284,785,050	$ 274,393,395	$ 279,952,868	$ 252,289,367	$ 268,918,693
4,061,242	4,549,816	6,700,810	5,692,253	-
31,376,277	26,796,515	26,406,329	24,938,952	28,691,743
219,454	888,855	1,285,455	1,400,079	4,107,035
-	-	46,153,392	50,015,128	65,017,451
-	573,763	803,777	896,023	601,868
-	309,242	513,456	779,686	1,312,903
-	168,894	242,609	248,630	224,501
-	6,371	16,109	15,412	13,751
65,005	452,431	425,968	434,681	269,985
64,368,362	78,769,485	41,729,688	56,117,047	34,568,809
$ 384,875,390	$ 386,908,767	$ 404,230,461	$ 392,827,258	$ 403,726,739
$ 208,847,556	$ 218,424,139	$ 233,112,767	$ 330,408,725	$ 340,775,669
2,704,125	5,025,467	8,806,302	7,564,939	8,995,690
4,980,679	5,324,601	5,528,516	5,601,263	4,248,344
74,128,202	78,188,714	77,348,628	89,350,465	88,825,761
$ 290,660,562	$ 306,962,921	$ 324,796,213	$ 432,925,392	$ 442,845,464
$ 493,632,606	$ 492,817,534	$ 513,065,635	$ 582,698,092	$ 609,694,362
6,765,367	9,575,283	15,507,112	13,257,192	8,995,690
31,376,277	26,796,515	26,406,329	24,938,952	28,691,743
5,200,133	6,213,456	6,813,971	7,001,342	8,355,379
-	-	46,153,392	50,015,128	65,017,451
-	573,763	803,777	896,023	601,868
-	309,242	513,456	779,686	1,312,903
-	168,894	242,609	248,630	224,501
-	6,371	16,109	15,412	13,751
65,005	452,431	425,968	434,681	269,985
138,496,564	156,958,199	119,078,316	145,467,512	123,394,570
$ 675,535,952	$ 693,871,688	$ 729,026,674	$ 825,752,650	$ 846,572,203

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses					
Governmental activities:					
General government	$ 14,655,266	$ 16,703,632	$ 24,836,791	$ 21,154,522	$ 29,245,688
Police	13,966,596	17,171,278	19,724,792	20,881,195	21,276,723
Fire	12,676,417	15,371,027	17,477,479	19,371,301	19,828,670
Libraries	2,497,842	2,624,278	2,753,427	2,894,683	3,179,616
Development	6,958,806	9,192,242	9,786,774	9,507,244	9,491,109
Parks and recreation	7,206,606	7,788,351	8,645,291	9,383,872	9,215,196
Public works	22,504,074	25,163,366	38,499,039	30,724,972	33,614,032
Interest on long-term debt	5,059,203	8,108,639	7,980,156	9,045,551	10,241,441
Airport	3,218,089	614,282	8,541,987	1,850,442	2,655,115
Total governmental activities expenses	88,742,899	102,737,095	138,245,736	124,813,782	138,747,590
Business-type activities:					
Water/Wastewater	29,812,732	34,284,602	37,755,782	41,467,962	44,083,602
Solid Waste	3,939,969	4,625,896	5,492,531	5,724,412	6,213,755
Golf Course	1,031,145	963,658	971,187	187,769	258,801
Surface Water Drainage	48,944	25,000	63,944	877,048	1,583,183
Airport	-	-	-	-	-
Total business-type activities expenses	34,832,790	39,899,156	44,283,444	48,257,191	52,139,341
Total primary government expenses	$ 123,575,689	$ 142,636,251	$ 182,529,180	$ 173,070,973	$ 190,886,931
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	$ 2,351,508	$ 2,356,380	$ 2,631,063	$ 2,692,338	$ 2,976,341
Police	1,320,381	1,737,930	3,771,316	2,689,592	2,529,019
Fire	1,295,885	985,641	1,475,731	1,607,943	794,661
Libraries	125,585	115,841	55,649	71,437	86,927
Development	7,407,719	5,410,173	4,283,881	3,949,296	4,058,203
Parks and recreation	894,362	929,376	1,020,734	1,123,973	1,037,454
Public Works	-	-	-	-	-
Interest on long-term debt	-	-	-	-	528,000
Airport	-	-	-	-	-
Operating grants and contributions	2,555,338	1,829,116	1,731,674	1,834,766	2,471,193
Capital grants and contributions	38,605,660	33,563,709	29,065,497	63,619,883	20,349,634
Total governmental activities program revenues	54,556,438	46,928,166	44,035,545	77,589,228	34,831,432
Business-type activities:					
Charges for Services:					
Water/Wastewater	39,393,138	35,082,265	38,004,807	45,499,621	48,117,477
Solid Waste	6,369,958	6,430,735	6,719,134	6,372,156	6,000,135
Golf Course	965,268	811,557	918,519	79,451	82,026
Surface Water Drainage	552,162	622,531	1,586,333	1,684,830	1,751,066
Airport	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	15,124,649	13,160,529	10,891,962	21,663,743	7,106,651
Total business-type activities program revenues	62,405,175	56,107,617	58,120,755	75,299,801	63,057,355
Total primary government program revenues	$ 116,961,613	$ 103,035,783	$ 102,156,300	$ 152,889,029	$ 97,888,787

Fiscal Year				
2011	**2012**	**2013**	**2014**	**2015**
$ 23,110,420	$ 21,828,013	$ 20,555,978	$ 33,368,297	$ 25,065,104
20,670,697	21,843,375	23,340,362	26,024,709	25,624,335
19,772,826	19,636,533	21,432,874	22,806,691	23,727,013
3,039,839	3,258,633	3,276,383	3,320,179	3,693,705
8,777,957	8,522,548	9,107,096	10,057,171	13,418,166
9,864,370	9,695,909	10,370,483	10,415,311	9,377,277
32,416,388	33,199,659	35,111,875	37,604,682	39,812,246
10,161,568	9,514,103	8,912,771	8,482,455	8,019,483
565,000	565,000	613,513	-	-
128,379,065	128,063,773	132,721,335	152,079,495	148,737,329
46,104,008	47,777,509	52,003,461	55,007,446	60,487,007
6,066,387	6,572,110	6,486,035	6,280,217	6,860,903
224,175	220,140	351,556	194,403	198,663
1,633,798	1,551,577	1,660,597	1,934,435	1,911,038
-	-	-	8,601,099	8,859,527
54,028,368	56,121,336	60,501,649	72,017,600	78,317,138
$ 182,407,433	$ 184,185,109	$ 193,222,984	$ 224,097,095	$ 227,054,467
$ 2,999,584	$ 2,896,926	$ 1,492,078	$ 1,467,171	$ 3,842,116
2,676,107	3,449,850	2,797,246	2,552,326	1,757,760
1,919,405	1,620,136	2,187,476	2,394,449	2,631,057
95,033	106,890	109,709	112,271	108,738
3,958,584	6,299,051	7,296,819	7,264,193	9,825,165
1,071,536	1,012,260	1,054,194	965,429	1,031,799
-	-	-	-	-
528,000	528,000	528,000	528,000	-
-	4,767	8,325	2,199	-
2,772,410	2,343,700	2,459,385	2,446,548	2,051,029
12,986,318	20,325,797	27,495,901	28,827,649	38,427,242
29,006,977	38,587,377	45,429,133	46,560,235	59,674,906
57,185,108	54,717,547	56,832,659	54,882,881	58,854,349
6,836,486	6,763,746	6,874,406	7,372,250	7,598,827
110,257	115,177	116,227	105,854	88,890
1,795,342	1,880,951	1,898,269	1,998,850	2,701,864
-	-	-	4,587,659	5,801,175
-	-	-	94,582	67,332
3,483,388	10,797,849	14,745,211	96,783,997	18,125,746
69,410,581	74,275,270	80,466,772	165,826,073	93,238,183
$ 98,417,558	$ 112,862,647	$ 125,895,905	$ 212,386,308	$ 152,913,089

(continued)

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION – CONTINUED
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year				
	2006	2007	2008	2009	2010
NET (EXPENSES) REVENUE					
Governmental activities	$ (34,186,461)	$ (55,808,929)	$ (94,210,191)	$ (47,224,554)	$ (103,916,158)
Business-type activities	27,572,385	16,208,461	13,837,311	27,042,610	10,918,014
Total primary government net expenses	$ (6,614,076)	$ (39,600,468)	$ (80,372,880)	$ (20,181,944)	$ (92,998,144)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes:					
Property taxes	$ 43,300,502	$ 49,300,666	$ 57,707,103	$ 62,815,581	$ 63,172,075
Sales and use taxes	14,030,309	16,189,172	17,683,376	17,124,800	16,868,201
Franchise taxes	8,661,620	8,462,571	9,633,525	9,724,093	10,794,251
Other taxes and fees	-	-	-	-	-
Investment income	5,455,210	7,882,249	4,950,865	2,764,578	2,378,612
Gain (loss) on sale of capital assets	-	-	-	37,016	-
Miscellaneous	44,291	119,323	273,109	892,940	175,614
Transfers	2,704,133	2,483,516	2,287,922	2,833,843	2,643,302
Prior period adjustment	-	1,857,835	-	-	-
Total governmental activities	74,196,065	86,295,332	92,535,900	96,192,851	96,032,055
Business-type activities:					
Investment income	2,621,448	3,688,586	2,315,647	1,318,112	1,031,169
Gain on sale of capital assets	-	32,147	50,510	10,704	(37,436)
Contributions	-	-	-	-	-
Transfers	(2,704,133)	(2,483,516)	(2,287,922)	(2,833,843)	(2,643,302)
Prior period adjustment	-	284,567	-	-	-
Total business-type activities	(82,685)	1,521,784	78,235	(1,505,027)	(1,649,569)
Total primary government	$ 74,113,380	$ 87,817,116	$ 92,614,135	$ 94,687,824	$ 94,382,486
CHANGE IN NET POSITION					
Governmental activities	$ 40,009,604	$ 30,486,403	$ (1,674,291)	$ 48,968,297	$ (7,884,103)
Business-type activities	27,489,700	17,730,245	13,915,546	25,537,583	9,268,445
Total primary government	$ 67,499,304	$ 48,216,648	$ 12,241,255	$ 74,505,880	$ 1,384,342

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net assets reflect the omission of MCVB, which is now reported as a discretely presented component unit of the City.

Fiscal Year				
2011	2012	2013	2014	2015
$ (99,372,088)	$ (89,476,396)	$ (87,292,202)	$ (105,519,260)	$ (89,062,423)
15,382,213	18,153,934	19,965,123	93,808,473	14,921,045
$ (83,989,875)	$ (71,322,462)	$ (67,327,079)	$ (11,710,787)	$ (74,141,378)
$ 62,862,038	$ 64,193,735	$ 65,707,908	$ 70,586,659	$ 79,819,213
17,265,587	18,392,901	20,364,397	21,298,884	23,041,949
12,050,388	12,051,980	12,759,298	13,630,462	13,858,355
-	-	-	-	434,494
1,664,055	846,135	334,465	298,151	370,660
-	-	-	-	(1,993,170)
257,395	618,827	2,593,617	4,282,531	2,833,951
2,643,302	2,798,302	2,854,211	(15,104,793)	2,965,135
-	-	-	-	(21,468,683)
96,742,765	98,901,880	104,613,896	94,991,894	99,861,904
1,020,661	924,457	662,230	565,121	663,128
46,847	22,270	60,150	(851,572)	(92,106)
-	-	-	-	-
(2,643,302)	(2,798,302)	(2,854,211)	15,104,793	(2,965,135)
-	-	-	-	(2,552,917)
(1,575,794)	(1,851,575)	(2,131,831)	14,818,342	(4,947,030)
$ 95,166,971	$ 97,050,305	$ 102,482,065	$ 109,810,236	$ 94,914,874
$ (2,629,323)	$ 9,425,484	$ 17,321,694	$ (10,527,366)	$ 10,799,481
13,806,419	16,302,359	17,833,292	108,626,815	9,974,015
$ 11,177,096	$ 25,727,843	$ 35,154,986	$ 98,099,449	$ 20,773,496

(concluded)

CITY OF MCKINNEY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year				
	2006	2007	2008	2009	2010
GENERAL FUND					
Nonspendable:					
Inventory	$ -	$ -	$ -	$ -	$ -
Prepaid items	-	-	-	-	-
Land held for sale	-	-	-	-	-
Note receivable from component unit	-	-	-	-	-
Assigned:					
Insurance risk	-	-	-	-	-
OPEB	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved for:					
Inventory and prepaid items	523,923	764,432	885,780	1,054,833	941,699
Advance to other funds	725,000	725,000	589,000	-	-
Note receivable from component unit	1,695,000	1,240,000	775,000	10,355,000	4,102,500
Designated:					
Insurance risk	3,682,374	2,472,273	2,291,879	1,600,559	1,600,559
Unreserved	38,086,490	40,316,555	39,998,634	28,838,279	33,023,643
Total general fund	$ 44,712,787	$ 45,518,260	$ 44,540,293	$ 41,848,671	$ 39,668,401
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable:					
Prepaid items	$ -	$ -	$ -	$ -	$ -
Restricted:					
Debt service	-	-	-	-	-
Street construction	-	-	-	-	-
Other capital projects funds	-	-	-	-	-
Law enforcement	-	-	-	-	-
Fire	-	-	-	-	-
PEG	-	-	-	-	-
Library	-	-	-	-	-
Community Housing	-	-	-	-	-
Veterans Memorial Park	-	-	-	-	-
Hotel/Motel	-	-	-	-	-
Grants	-	-	-	-	-
Reserved for:					
Prepaid items	1,520	7,499	13,586	736,658	570,994
Debt service	1,737,689	2,054,266	2,494,512	2,734,212	1,891,142
Street construction	58,313,044	57,071,884	40,323,951	42,247,778	33,628,327
Capital projects funds	16,686,851	23,877,681	29,569,488	34,402,903	45,431,706
Unreserved, reported in:					
Special revenue funds	3,248,852	2,850,885	2,782,428	2,208,805	1,975,456
Total all other governmental funds	$ 79,987,956	$ 85,862,215	$ 75,183,965	$ 82,330,356	$ 83,497,625

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No 54 which amended fund balance classifications in 2011. In addition, beginning in 2011, fund balance reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

Fiscal Year				
2011	**2012**	**2013**	**2014**	**2015**
$ -	$ 193,885	$ 210,392	$ 241,881	$ 331,605
-	304,556	295,637	532,207	852,860
-	315,194	-	-	-
-	1,647,500	287,500	-	-
-	-	-	-	-
-	1,692,681	1,855,500	2,026,617	2,485,326
-	46,207,763	48,144,225	39,038,915	45,819,513
-	-	-	-	-
-	-	-	-	-
2,917,500	-	-	-	-
1,600,559	-	-	-	-
37,448,127	-	-	-	-
$ 41,966,186	$ 50,361,579	$ 50,793,254	$ 41,839,620	$ 49,489,304
$ 423,897	$ 18,976	$ 16,174	$ 19,817	$ 48,664
1,261,454	1,719,641	2,240,054	2,917,011	2,917,011
31,356,277	31,346,331	33,107,139	30,631,205	64,887,370
36,523,123	36,259,889	46,153,392	50,015,128	65,017,451
164,887	549,780	768,113	855,456	558,905
26,858	23,983	35,664	40,567	42,963
-	-	-	-	1,493,395
384,855	168,894	242,609	248,630	224,501
65,005	56,485	90,025	85,617	73,787
-	6,371	16,109	15,412	13,751
-	309,242	513,456	779,686	1,312,903
150,292	395,946	335,943	349,064	269,985
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	918,558
$ 70,356,648	$ 70,855,538	$ 83,518,678	$ 85,957,593	$ 137,779,244

CITY OF MCKINNEY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year				
	2006	2007	2008	2009	2010
REVENUES					
Property taxes	$ 43,188,169	$ 49,491,145	$ 57,723,642	$ 62,832,495	$ 62,960,439
Sales and use taxes	14,030,309	16,189,172	17,683,376	17,124,800	16,926,949
Franchise fees	9,549,688	8,526,059	9,591,738	9,759,548	10,731,125
Other taxes and fees	-	-	-	-	-
Licenses and permits	7,646,826	5,651,313	5,011,193	4,726,614	4,809,193
Intergovernmental	4,432,442	6,077,805	5,700,988	15,403,491	4,400,346
Charges for services	4,019,262	4,140,201	4,353,096	4,867,661	5,846,806
Fines and forfeitures	1,383,144	1,777,098	2,220,418	2,276,354	1,990,092
Investment income	5,455,210	7,882,249	5,343,879	2,741,843	2,387,670
Contributions	13,233,500	5,332,359	8,102,152	14,668,141	6,000,759
Miscellaneous	187,019	149,371	436,393	856,806	255,221
Total revenues	103,125,569	105,216,772	116,166,875	135,257,753	116,308,600
EXPENDITURES					
General government	13,412,203	14,913,949	16,966,335	19,366,493	22,098,360
Police	13,247,346	16,273,783	18,860,105	19,923,024	20,145,964
Fire	11,919,118	14,473,038	16,227,513	17,894,488	17,959,131
Libraries	2,233,304	2,349,242	2,489,144	2,638,350	2,909,708
Development	6,638,554	9,305,154	9,457,015	9,185,580	9,159,668
Parks and recreation	5,785,330	5,945,941	6,733,160	7,399,164	7,145,909
Public works	9,145,253	9,964,055	21,786,333	12,275,920	13,286,420
Airport	3,614,677	614,282	8,541,987	1,850,442	2,655,115
Capital outlay	41,031,431	35,697,217	50,500,331	52,493,363	29,483,890
Debt service:					
Principal retirement	6,168,369	6,722,708	8,370,008	9,905,035	10,848,562
Interest and fiscal charges	5,354,320	7,459,981	7,677,731	9,008,269	9,679,110
Total expenditures	118,549,905	123,719,350	167,609,662	161,940,128	145,371,837
Excess (deficiency) of revenues over (under) expenditures	(15,424,336)	(18,502,578)	(51,442,787)	(26,682,375)	(29,063,237)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	64,015,000	20,490,000	37,205,000	28,210,000	25,295,000
Deposit to escrow account	(27,926,115)	-	-	-	-
Premium on issuance of debt	347,801	56,933	-	-	-
Proceeds from capital lease	379,683	-	-	-	-
Proceeds from sale of property	30,897	294,026	293,648	93,301	111,934
Transfers in	4,979,364	6,460,890	4,662,194	4,813,797	3,548,163
Transfers out	(2,105,984)	(3,977,374)	(2,374,272)	(1,979,954)	(904,861)
Total other financing sources (uses)	39,720,646	23,324,475	39,786,570	31,137,144	28,050,236
Prior period adjustment	-	1,857,835	-	-	-
NET CHANGE IN FUND BALANCES	$ 24,296,310	$ 6,679,732	$ (11,656,217)	$ 4,454,769	$ (1,013,001)
Debt service as a percentage of noncapital expenditures	**14.9%**	**16.1%**	**13.7%**	**17.3%**	**17.7%**

Source: Comprehensive Annual Financial Report

Fiscal Year				
2011	**2012**	**2013**	**2014**	**2015**
$ 62,717,460	$ 64,194,518	$ 66,252,931	$ 70,362,574	$ 79,955,673
17,265,587	18,342,838	20,335,968	21,278,009	23,041,949
11,941,486	12,113,230	12,725,594	13,696,854	13,767,129
-	-	-	-	434,494
4,692,292	7,204,700	8,154,941	8,168,583	10,537,838
5,861,390	5,656,795	5,832,483	5,405,262	5,434,807
6,040,354	5,892,485	4,957,547	5,074,643	6,721,752
2,183,023	2,507,707	2,499,512	2,191,902	2,029,116
1,284,718	846,135	330,063	291,194	370,660
5,224,780	7,438,881	10,030,426	12,053,759	14,229,992
265,146	661,477	282,923	367,552	533,192
117,476,236	124,858,766	131,402,388	138,890,332	157,056,602
20,785,693	19,020,719	19,336,330	30,876,833	22,228,405
19,655,184	20,285,700	22,036,551	24,603,118	25,545,773
17,930,235	17,302,735	19,409,153	21,004,629	22,848,846
2,781,727	2,775,484	2,826,451	2,868,747	3,279,002
8,512,495	8,119,293	8,750,307	9,617,376	10,291,439
7,275,824	6,954,994	7,504,161	7,804,340	8,072,018
10,610,792	10,882,395	11,097,574	12,150,458	13,857,657
565,000	565,000	613,513	-	-
22,264,775	13,503,040	16,299,213	34,224,581	24,872,348
9,980,000	10,390,000	10,755,000	10,810,000	13,485,000
10,254,116	9,466,819	8,823,139	9,304,662	9,434,720
130,615,841	119,266,179	127,451,392	163,264,744	153,915,208
(13,139,605)	5,592,587	3,950,996	(24,374,412)	3,141,394
-	14,670,000	24,925,000	56,370,000	45,715,000
-	(16,685,444)	(21,716,799)	(27,119,524)	-
-	2,127,248	3,019,430	3,687,285	7,009,684
-	-	-	-	-
105,911	205,236	61,977	25,972	28,488
3,385,024	4,505,981	9,866,340	(9,732,556)	5,639,800
(741,722)	(1,707,679)	(7,012,129)	(5,372,237)	(2,062,278)
2,749,213	3,115,342	9,143,819	17,858,940	56,330,694
-	-	-	-	-
$ (10,390,392)	$ 8,707,929	$ 13,094,815	$ (6,515,472)	$ 59,472,088
18.7%	**18.8%**	**17.6%**	**15.6%**	**17.8%**

CITY OF MCKINNEY, TEXAS **TABLE 5**
ASSESSED VALUE OF TAXABLE PROPERTY
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]
2006	$ 4,968,430,438	$ 1,930,626,833	$ 1,148,679,747	$ 959,983,795	$ 7,087,753,223
2007	5,795,848,917	2,118,454,275	1,384,973,885	1,079,023,763	8,220,253,314
2008	6,791,710,804	2,484,651,531	1,625,116,907	1,252,624,142	9,648,855,100
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,176,779,441	10,714,704,764
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,174,802,675	10,679,588,485
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,138,232,846	10,846,882,649
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,145,519,714	11,028,180,455
2014	8,912,765,220	2,923,157,524	1,197,788,548	2,104,215,838	10,929,495,454
2015	10,330,477,753	3,120,649,093	1,331,499,993	1,308,701,373	13,473,925,466

Source: City of McKinney Budget Document
Collin Central Appraisal District

Note: Property in Collin County is reassessed once every five years on average.
The County assesses property at 100% of it's market value. Tax rates are per $100 of assesse

[a] Includes adjustments to certified rolls
Fiscal Year reports Certified Tax Report from prior calendar year

CITY OF MCKINNEY, TEXAS **TABLE 6**

DIRECT AND OVERLAPPING PROPERTY TAX RATES (per $100 of assessed value)

LAST TEN FISCAL YEARS (UNAUDITED)

	City Direct Rates			Overlapping Rates							
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	McKinney ISD	Allen ISD	Frisco ISD	Melissa ISD	Prosper ISD	Lovejoy ISD	Collin County	Collin College District
2006	0.40900	0.17900	0.58800	2.00000	1.91246	1.63000	1.91000	1.97531	1.82340	0.25000	0.08942
2007	0.41817	0.16983	0.58800	1.84100	1.77510	1.58000	1.78000	1.80000	1.69340	0.24500	0.08768
2008	0.41923	0.16627	0.58550	1.51700	1.47030	1.35000	1.53500	1.67000	1.47630	0.24500	0.08698
2009	0.40650	0.17900	0.58550	1.51700	1.47030	1.37000	1.54000	1.67000	1.51500	0.24250	0.08649
2010	0.40650	0.17900	0.58550	1.54000	1.54000	1.39000	1.54000	1.64000	1.53500	0.24250	0.08630
2011	0.40650	0.17900	0.58550	1.52800	1.54000	1.39000	1.54000	1.63000	1.53500	0.24000	0.08630
2012	0.40506	0.18044	0.58550	1.54000	1.67000	1.42000	1.54000	1.67000	1.53500	0.24000	0.08630
2013	0.41220	0.17330	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.08630
2014	0.42179	0.16371	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364
2015	0.41544	0.16756	0.58300	1.67000	1.64000	1.46000	1.54000	1.67000	1.56000	0.23500	0.08196

Source: Collin Central Appraisal District

ISD: Independent School District

CITY OF MCKINNEY, TEXAS **TABLE 7**
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

	2015			2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value[a]	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value[b]
Encore Wire Limited	$ 127,941,871	1	0.95%	$ 58,620,118	1	0.83%
Raytheon TI Systems Inc	77,501,281	2	0.58%	51,903,852	3	0.73%
Oncor Electric Delivery Co	56,863,479	3	0.42%	—		—
West Eldorado TX Partners LLC (Saxon Woods)	52,412,278	4	0.39%	35,352,387	6	0.50%
Medical Center of McKinney	51,193,931	5	0.38%	31,843,870	8	0.45%
Texas Instruments Inc	51,027,851	6	0.38%	37,651,118	4	0.53%
DR Horton - Texas, LTD	41,343,047	7	0.31%	—		—
TS Craig Ranch LLC	38,000,000	8	0.28%	—		—
Covington Cameron Acquisition LLC	37,860,512	9	0.28%	—		—
Western Rim Investors	37,078,724	10	0.28%	—		—
TXU Electric Delivery Co.	—		—	54,913,036	2	0.77%
Cameron Crossings Investors, LTD	—		—	31,350,465	9	0.44%
Craig Crossing 1031 LLC	—		—	25,549,427	10	0.36%
Blockbuster Video Inc.	—		—	37,621,386	5	0.53%
Wal-Mart Real Estate Business Trust	—		—	32,234,880	7	0.45%
	—		—			0.00%
Total	$ 571,222,974		4.24%	$ 397,040,539		5.60%

Source: Collin County Tax Assessor and Collector

Notes: [a] Taxpayers are assessed on January 1, 2014 (2013 tax year) for the 2015 fiscal year.
[b] Taxpayers are assessed on January 1, 2005 (2004 tax year) for the 2006 fiscal year.

CITY OF MCKINNEY, TEXAS **TABLE 8**
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2006	$ 42,686,986	$ 41,731,410	97.76%	$ 894,750	$ 42,626,160	99.86%
2007	48,607,924	47,974,805	98.70%	573,378	48,548,183	99.88%
2008	56,776,558	56,166,777	98.93%	582,074	56,748,851	99.95%
2009	62,280,815	61,576,965	98.87%	617,636	62,194,601	99.86%
2010	62,486,523	61,922,528	99.10%	472,060	62,394,588	99.85%
2011	62,492,355	61,901,919	99.06%	468,167	62,370,086	99.80%
2012	63,379,911	63,014,520	99.42%	247,615	63,262,135	99.81%
2013	64,503,109	64,302,483	99.69%	-	64,302,483	99.69%
2014	69,690,291	69,377,804	99.55%	-	69,377,804	99.55%
2015	77,659,212	78,046,228	100.50%	(647,254)	77,398,974	99.66%

Source: Collin County Tax Assessor and Collector

CITY OF MCKINNEY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 9

	Governmental Activities			Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2006	$ 111,165,000	$ 40,900,000	$ -	$ 2,355,673	$ 63,900,000	$ (140,832)	$ 218,179,841	7.38%	2,081
2007	127,240,000	38,675,000	-	2,785,323	67,175,000	(81,853)	235,793,470	7.26%	2,047
2008	145,515,000	49,315,000	-	3,364,894	75,085,000	129,450	273,409,344	8.02%	2,260
2009	146,080,000	67,115,000	-	3,807,225	81,025,000	148,043	298,175,268	8.67%	2,442
2010	153,030,000	74,675,000	-	4,828,737	82,975,000	317,087	315,825,824	8.55%	2,409
2011	145,415,000	72,310,000	-	4,931,501	78,635,000	397,025	301,688,526	7.25%	2,258
2012	140,685,000	64,990,000	-	9,127,211	74,040,000	751,312	289,593,523	6.73%	2,128
2013	132,770,000	65,835,000	-	13,003,078	68,980,000	1,637,718	282,225,796	6.20%	2,004
2014	144,245,000	68,875,000	4,910,000	8,353,993	64,415,000	1,786,567	292,585,560	6.00%	1,969
2015	192,241,210	66,151,279	5,031,638	1,732,249	66,009,020	-	331,165,396	6.50%	2,135

Note: Details regarding the City's outstanding debt is found in the notes to the financial statements.

[a] See Table 14 for personal income and population data.

CITY OF MCKINNEY, TEXAS **TABLE 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

	General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
2006	$ 111,165,000	$ -	$ -	$ 111,165,000	1.57%	1,060
2007	127,240,000	-	-	127,240,000	1.55%	1,105
2008	145,515,000	-	-	145,515,000	1.51%	1,203
2009	146,080,000	-	-	146,080,000	1.38%	1,197
2010	153,030,000	-	-	153,030,000	1.42%	1,167
2011	145,415,000	72,310,000	-	217,725,000	2.02%	1,629
2012	140,685,000	64,990,000	-	205,675,000	1.88%	1,512
2013	132,770,000	65,835,000	-	198,605,000	1.80%	1,410
2014	144,245,000	68,875,000	4,910,000	218,030,000	1.99%	1,468
2015	192,241,210	66,151,279	5,031,638	263,424,127	1.95%	1,698

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] See Table 5 for property value data.

[b] See Table 14 for population data.

CITY OF MCKINNEY, TEXAS **TABLE 11**
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.5880	0.5880	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5830
Available Tax Rate	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.92

Note: The City Charter of the City of McKinney, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

CITY OF MCKINNEY, TEXAS **TABLE 12**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2015 (UNAUDITED)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	$ 485,160,000	89.840%	435,867,465
Collin College District	31,787,200	15.084%	4,794,739
Collin County	402,795,000	15.047%	60,607,292
Allen ISD	506,714,248	5.163%	26,161,871
Frisco ISD	1,801,656,203	14.407%	259,559,998
Melissa ISD	56,963,684	0.001%	375
Prosper ISD	267,875,581	22.693%	60,788,572
Lovejoy ISD	143,927,131	2.653%	3,817,916
Subtotal, overlapping debt	$ 3,696,879,047		$ 851,598,229
City of McKinney (direct debt)	263,424,127	100.000%	263,424,127
Total direct and overlapping debt			$ 1,115,022,356

Source: Assessed value data used to estimate applicable percentages provided by Collin County Central Appraisal District. Debt outstanding data provided by each governmental unit.

Note: [a] The percentage of overlapping debt applicable is estimated using taxable assessed property values (before freeze loss). Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF MCKINNEY, TEXAS **TABLE 13**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2006	$ 39,436,390	$ 23,240,689	$ 16,195,701	$ 4,696,231	3.45
2007	38,406,298	26,743,067	11,663,231	4,820,870	2.42
2008	39,935,862	29,237,087	10,698,775	5,353,390	2.00
2009	46,584,797	32,157,583	14,427,214	5,744,594	2.51
2010	48,990,765	34,215,781	14,774,984	5,797,296	2.55
2011	57,912,585	35,956,535	21,956,050	5,402,317	4.06
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50
2014	55,313,403	44,364,584	10,948,819	4,155,783	2.63
2015	59,442,114	49,810,061	9,632,053	4,110,810	2.34

Note: [a] Includes operating revenues and investment income.
[b] Includes operating expenses minus depreciation.
[c] Includes Principal and Interest (represents average annual requirement).

CITY OF MCKINNEY, TEXAS **TABLE 14**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Year	Estimated Population[a]	Personal Income[b]	Per Capita Personal Income[e]	Median Age[e]	Median Household Income[a]	School Enrollment[c]	Unemployment Rate[d]
2006	104,853	$ 2,955,281,805	$ 28,185	30.6	$ 63,366	21,161	4.40%
2007	115,198	3,246,855,630	28,185	30.6	63,366	22,307	4.10%
2008	120,978	3,409,764,930	28,185	30.6	63,366	23,310	4.70%
2009	122,083	3,440,909,355	28,185	30.6	63,366	23,889	7.40%
2010	131,117	3,695,532,645	28,185	30.6	63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%
2014	148,559	4,880,014,591	32,849	30.6	81,118	24,791	4.50%
2015	155,142	5,096,259,558	32,849	33.0	81,118	24,765	3.40%

Sources: [a] Source Data: McKinney Planning Department
[b] Personal income calculated by multiplying estimated population by per capita personal income.
[c] Source Data: McKinney Independent School District
[d] Source Data: Texas Workforce Commission for month ending September
[e] Source Data: US Census Bureau

CITY OF MCKINNEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO (UNAUDITED)

TABLE 15

	2015			2006		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Raytheon Space & Airborne Systems	3,600	1	4.74%	2,000	1	3.89%
McKinney ISD	3,147	2	4.15%	1,880	2	3.65%
Collin County	1,823	3	2.40%	1,500	3	2.92%
Medical Center of McKinney	1,071	4	1.41%	-		-
Encore Wire Corp.	1,050	5	1.38%	-		-
City of McKinney	975	6	1.28%	750	9	1.46%
Torchmark / United American Ins. (TMK)	860	7	1.13%	-		-
Watson & Chalin	800	8	1.05%	-		-
Baylor Medical Center	575	9	0.76%	-		-
Collin College	555	10	0.73%	-		-
Encore Wire	-		-	800	7	1.56%
Blockbuster Entertainment Group	-		-	1,415	4	2.75%
Lattimore Materials	-		-	1,050	5	2.04%
Wal-Mart Stores (2)	-		-	950	6	1.85%
North Central Medical Center	-		-	730	8	1.42%
United American Insurance	-		-	550	10	1.07%
Total	14,456		19.05%	11,625		22.60%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation
Total City Employment provided by Texas Labor Workforce Commission (TWC)

CITY OF MCKINNEY, TEXAS **TABLE 16**

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
General government	71.0	80.5	88.5	90.5	104.5	102.5	91.0	98.5	101.5	121.1
Police	157.0	173.0	192.0	203.0	208.0	207.0	206.0	219.0	236.0	243.0
Fire	129.2	147.2	166.2	167.2	167.2	166.7	164.5	167.5	171.5	173.5
Libraries	30.1	31.1	31.1	38.7	37.7	34.8	32.8	38.6	38.6	41.0
Development	95.1	109.1	114.6	112.6	105.1	97.0	81.5	82.5	92.0	93.0
Parks and recreation	74.5	81.5	83.5	84.5	81.5	84.0	85.0	87.0	87.0	96.8
Public works	56.3	57.8	67.0	60.7	61.7	61.7	61.7	61.4	66.9	72.1
Water/wastewater	64.0	69.0	77.3	79.7	77.7	74.7	74.7	73.0	77.4	83.3
Surface water drainage	-	-	-	11.0	11.0	11.0	11.0	11.0	14.3	15.3
Solid waste	3.5	4.0	9.0	10.0	12.0	12.0	12.0	12.0	13.0	13.0
Airport *	-	-	-	-	-	-	-	-	23.0	23.5
Total[a]	680.7	753.2	829.2	857.8	866.3	851.4	820.2	850.5	898.1	975.4

Source: City of McKinney Budget Book

[a] Excludes: Economic Development (MEDC), Community Development (MCDC), and Visitor's Bureau (MCVB) employees

* FY14 - Airport Fund no longer a component unit.

CITY OF MCKINNEY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year 2006	2007	2008	2009	2010
Police					
Number of police officers	136	149	158	161	161
Number of violations (citations)[a]	23,779	22,413	27,804	30,623	33,729
Fire					
Number of fire fighters	130	149	150	151	151
Number of fire suppression runs	2,550	2,750	2,950	3,109	3,239
Number of EMS runs	4,923	5,500	6,100	6,800	7,100
Development Services					
Construction permits issued[b]	11,296	6,970	5,539	4,154	3,816
Estimated valuation[b]	$ 785,799,209	$ 601,907,826	$ 480,774,997	$ 772,318,950	$ 533,916,212
Public Works					
Street maintenance - paved (miles)	8	8	8	9	9
Street signs repaired/installed	1,872	1,876	2,000	2,500	2,500
Parks and Recreation					
Park land and municipal acreage maintained	1,100	1,144	1,566	1,566	1,566
Rounds of golf	37,500	35,000	35,878	36,000	35,000
Library					
Volumes in collection[c]	123,828	136,054	149,406	177,800	210,000
Annual circulation	627,664	630,000	652,675	660,000	900,000
Water and Wastewater					
Number of water customers	34,901	38,200	39,590	40,498	41,853
Average daily water consumption (million gallons)	23.5	19.3	23.2	23.0	22.7
Maximum storage capacity (million of gallons)	22.0	42.0	42.0	44.0	44.0
Solid Waste					
Recyclables collected (tons)	10,534	15,120	17,145	17,670	13,438
Solid waste collected (tons)	119,995	123,150	129,310	135,026	120,978

Source: City Departments

Note: [a] Basis for issued citation reconciliation adjusted in FY11
[b] Includes residential, commercial, and miscellaneous permits (i.e. pools, fences)
[c] Includes books and media.

Fiscal Year				
2011	2012	2013	2014	2015
161	161	187	188	192
18,754[a]	17,366	14,944	16,966	14,524
151	153	159	161	162
3,598	2,883	3,716	4,571	4,828
6,180	6,936	6,613	7,170	7,642
4,316	6,461	5,607	5,920	6,499
$ 469,799,412	$ 722,830,462	$ 843,390,781	$ 876,066,508	$ 1,967,876,862
11	15	13	4	1
1,671	1,260	1,299	1,750	2,979
1,708	1,834	1,834	1,834	1,834
33,064	34,400	35,121	31,400	28,500
219,704	227,585	232,814	232,814	223,674
1,095,739	1,179,539	1,205,789	1,205,789	1,401,625
42,946	44,644	46,791	49,456	51,636
28.5	28.5	26.7	24.0	25.3
44.0	44.0	44.0	46.0	48.0
16,350	14,880	15,640	23,478	25,567
114,937	112,794	114,485	127,467	132,947

CITY OF MCKINNEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 18

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	46	46	65	82	110	120	120	126	141	153
Motorcycle Units	7	8	11	9	8	8	8	7	7	9
Skywatch Towers	-	-	-	-	1	2	2	2	2	2
Trailers	-	-	-	-	-	-	-	-	4	8
Fire										
Stations	5	6	6	7	8	8	8	8	8	8
Public Works										
Streets-Paved (miles)	594.0	623.0	625.0	625.0	706.0	723.0	723.0	760.9	728.7	752.9
Streets-Graded (miles)	39.0	39.0	39.0	39.0	16.0	16.0	16.0	16.0	15.6	16.8
Streets-Unimproved (miles)	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	3.5	1.4
Alleys (miles)	80.0	80.0	80.0	80.0	78.0	78.0	78.0	71.2	78.0	78.0
Street lights (Including US 75)	4,612	4,662	4,760	4,760	4,760	5,901	5,901	6,147	6,333	6,776
Parks and Recreation										
Park Acreage	1,303	1,674	1,862	2,025	2,025	2,025	2,082	2,432	2,247	2,247
Public Parks	31	32	34	36	36	36	39	40	40	40
Municipal Golf Course[b]	1	1	1	1	1	1	1	1	1	1
Community/Recreation Centers	3	3	3	3	3	3	3	3	3	3
Public Swimming Pools	3	3	3	3	3	3	3	3	3	3
Splash Pads	2	2	5	6	7	7	7	7	7	7
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	2	2	2	2	13	13	13	13
Soccer Fields (regulation size)	22	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	1	1	1	1	2	2	2	2	2
Skate Park	-	-	-	-	-	-	-	1	1	1
Ice Rink[b]	-	-	-	-	1	1	1	1	1	1
Library	1	1	1	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	22.0	42.0	42.0	44.0	44.0	44.0	44.0	46.0	46.0	48.0
Water Mains (miles)	624.0	680.0	737.0	765.0	770.0	787.0	806.0	820.0	1020.0	826.0
Fire Hydrants	5,525	6,100	6,529	7,388	6,688	7,007	7,473	7,734	7,823	8,030
Storm Sewer (miles)	203.0	213.0	257.0	257.0	257.0	266.0	396.0	406.0	428.0	430.0
Sanitary Sewers (miles)	502.0	520.0	582.0	605.0	610.0	630.0	620.0	662.0	672.0	628.0
Airport	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	661	661	661	661	745	745	745	745	745	745
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,002x150	7,002x150	7,002x150	7002x150

Source: City Departments

Note: [a] per Police Department
[b] City owned, privately operated

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